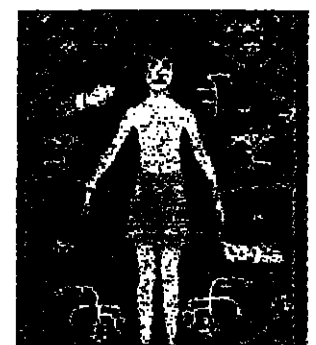

FT NEWSPAPER of THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY DECEMBER 18 1992 — D8523A

Crédit Lyonnais deal with BfG hits last-minute hitch

The proposed acquisition by Crédit Lyonnais of a majority stake in BfG Bank, the financially troubled German bank, has run into last-minute difficulties over guarantees on the bank's balance sheet liabilities. The purchase, potentially one of the largest cross-border deals in European financial services, was due to have been completed by the end of the year. The deal valued the German bank at DM2.1bn ($1.3bn). Page 17

France resists interest rates rise: The French government verbally defended the franc's existing parity against the D-Mark, but did not raise official interest rates. "I am absolutely against any talk of devaluation or of floating the European currencies," said prime minister Pierre Bérégovoy. Page 16 and Lex

Fragile accord on Bosnia: Nato foreign ministers reached a shaky compromise on further action to be taken against the Bosnian Serbs, saying the UN Security Council would "shortly consider" a resolution to enforce the no-fly zone. Page 16; Major seeks US backing, Page 7

Hopes fade for German pact: Rapid conclusion of a "solidarity pact" between government, opposition, trade unions and employers seemed less likely as serious differences emerged over tax plans and aid to east Germany. Page2

Gatt talks to break: Trade negotiators are today expected to call a halt to the pre-Christmas push for a breakthrough in the Uruguay Round of talks on global trade liberalisation. Page 5

European car sales: Sales of new cars in western Europe increased by 1.2 per cent last month, with higher demand in Germany and France, but carmakers remain gloomy about the outlook for 1993. Page 2

Gaidar appointed presidential adviser:

Yegor Gaidar (left), the Russian prime minister replaced three days ago by the more conservative Viktor Chernomyrdin, has been appointed presidential adviser on economic policy. The move suggests that President Boris Yeltsin, who arrived in Beijing yesterday at the start of a state visit, has not given up his aim of committing Russia to a free-market road. Page 2; Beijing welcomes Yeltsin, Page 5

SKF, world's leading roller bearing manufacturer, predicted a SKr1.8bn ($264m) loss in 1992 as it announced further job cuts and a SKr1.1bn provision. Page 17

Unicef urges 'basic needs movement': The UN Children's Fund called for a worldwide popular movement to raise $25bn annually to meet children's needs for food, clean water and basic health care. Page 5

Indian PM likely to survive: Prime minister P V Narasimha Rao last night looked set to survive a parliamentary no-confidence motion over his handling of the Ayodhya mosque crisis. Page5

Pepsi-Cola, US soft drinks group, has won its three-year battle to reclaim control of the marketing and distribution of its brand in France from French mineral water group Perrier. Page18

Conflicting data on UK economy: British manufacturers reported a slight improvement in orders over the past month, but a bigger-than-expected rise in unemployment holds out little prospect of swift recovery. Page 7

Call for Japanese reform: The EC has called for Japan to make concessions in areas such as legal and financial services, as well as relaxing its rice import ban. Page 4; Tokyo tax plans, Page 5

Lehel, Hungarian refrigerator producer owned by Electrolux of Sweden, forecast a 16.6 per cent rise in 1992 profits to Ft950m ($11.5m), mainly reflecting a sharp improvement in productivity and an upturn in local demand. Page 17

Barclays Bank has provided £240m ($365m) to cover possible losses on its £422m exposure to Imry, a property group, in one of the largest individual debt write-offs in UK banking history. Page 17; Lex, Page 16

American Express, financial services and travel group, is considering selling majority control of its stockbroking and investment banking subsidiary, Shearson Lehman Brothers. Page 20

■ STOCK MARKET INDICES		
FT-SE 100:	2,740.3	(+7.5)
Yield	4.46	
FT-SE Eurotrack 100	1,034.41	(−2.21)
FT-A All-Share	1,380.31	(+0.5%)
Nikkei	17,437.91	(+169.20)
New York lunchtime:		
Dow Jones Ind Ave	3,258.97	(+3.79)
S&P Composite	434.84	(+2.52)
■ US LUNCHTIME RATES		
Federal Funds:	$2\frac{15}{16}$%	
3-mo Treas Bills: Yld	3.261%	
Long Bond	$102\frac{3}{16}$	
Yield	7.436%	
■ LONDON MONEY		
3-mo Interbank	$7\frac{5}{16}$%	(Same)
Liffe long gilt future:	Dec $100\frac{11}{32}$	(Dec $100\frac{1}{32}$)
■ NORTH SEA OIL (Argus)		
Brent 15-day Feb	$18.425	(18.25)
■ Gold		
New York Comex Feb	$338.2	(337.9)
London	$338.35	(337.05)

■ STERLING		
New York lunchtime:		
$	1.5795	
London:		
$	1.5735	(1.577)
DM	2.4575	(2.4525)
FFr	8.4925	(8.3825)
SFr	2.285	(2.2025)
Y	193.75	(Same)
£ Index	80.7	(80.5)
■ DOLLAR		
New York lunchtime:		
DM	1.55825	
FFr	5.3255	
SFr	1.388	
Y	122.75	
London:		
DM	1.5625	(1.555)
FFr	5.34	(5.315)
SFr	1.4015	(1.397)
Y	123.15	(122.9)
$ Index	64.6	(64.7)
Tokyo close Y 123.12		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.60	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Peo45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

Camdessus calls on Germany to cut rates

By Michael Prowse in Washington

GERMAN interest rates need to be reduced by about two percentage points as part of a strategy to reduce "intolerable" levels of unemployment in Europe, Mr Michel Camdessus, the managing director of the International Monetary Fund said yesterday.

In a rare intervention in US politics, he also urged the incoming Clinton administration to seize a "great opportunity" to reduce the structural budget deficit by raising taxes as well as cutting spending.

Mr Camdessus said more effective global co-ordination of policies was needed to address a "crisis of confidence". The IMF, like the Paris based Organisation for Economic Co-operation and Development, has cut its world growth forecasts and expects a 1 per cent growth in European Community economies next year.

At the National Press Club in Washington, he said abating demand and wage pressures in Germany had made a "progressive lowering of interest rates" possible.

"But let me be blunt ... what is needed is not a half-percentage point reduction of the key interest rate of the Bundesbank – welcome as that may be – but a more substantial cut in real interest rates, say of two percentage points."

He said the responsibility for achieving a big cut in rates lay more with European governments, that had allowed large public sector deficits to develop, than with the Bundesbank and the other central banks. He said Germany and Italy should take stronger steps to cut deficits.

A lasting reduction in European unemployment from its "intolerable level of 10 per cent", would also require structural reforms to increase the flexibility of labour markets.

The US had to address the "Achilles' heel" of its economy which was the "continuing and alarming weakness of its saving and investment performance". The US had the lowest ratio of net national saving to gross domestic product in the industrialised world. This had led to one of the lowest levels of private investment and a lack of attention to public infrastructure.

Bold medium-term budget consolidation was the only reliable way of boosting sustainable growth. With cyclical recovery from recession gaining momentum, the US had a great opportunity "to set fiscal policy unambiguously on the course of deficit reduction".

The scale of the needed fiscal adjustment required "the adoption of both revenue and expenditure measures". Tax reform was also needed to increase incentives to save and invest and reduce consumption.

Mr Camdessus praised Japan for taking monetary and fiscal action to revive its economy. But he noted renewed signs of weakness and warned that further policy actions might be needed.

Revised forecasts out later this month will show growth of barely 2 per cent in industrial countries next year against a forecast of 2.9 per cent in September. Japan is expected to grow by 2.4 per cent, about 1 percentage point slower than forecast.

The US is a relative bright spot, with 3 per cent growth predicted for next year compared with 2 per cent this year.

In a reversal of the experience of the 1980s, Mr Camdessus said developing countries had better prospects than the industrialised world. On average they should grow 5.7 per cent next year, the fifth successive year of "superior growth performance".

Mr Camdessus called on industrialised countries to assist the transformation in eastern Europe and the former Soviet Union.

Bundesbank resists cut, Page 2
Lex, Page 16

Buses containing more than 400 bound and gagged Palestinians await confirmation of an expulsion order near the border with Lebanon

Palestinians quit peace talks

Leaders withdraw from negotiations after Israeli court approves mass expulsions from occupied territories

By Hugh Carnegy in Jerusalem and George Graham in Washington

THE FUTURE of the Middle East peace negotiations was thrown into doubt yesterday after Israel's High Court approved the unprecedented mass expulsion to Lebanon of 418 Palestinians from the occupied territories.

Outraged Palestinian leaders withdrew their delegation from the last day of the current round of talks in Washington in protest, and other Arab delegations said they would end their meetings as soon as they had delivered a protest to the Israeli negotiators.

Mrs Hanan Ashrawi, the Palestinian spokeswoman, said: "The peace process itself is on the brink of disaster."

Mr Yitzhak Rabin, the Israeli prime minister, ordered the expulsions in retaliation for a series of violent attacks on Israeli forces by the Hamas Islamic fundamentalist movement which culminated on Tuesday in the murder of a kidnapped paramilitary border police officer – the sixth soldier to die in recent weeks.

It was by far the largest peacetime expulsion by Israel since it captured the West Bank and Gaza Strip in 1967.

The 418 were kept bound and blindfolded for almost 20 hours in 22 buses at the Lebanese border while civil rights lawyers tried in vain to win a court order to stop the action. Shortly after the court decision, the buses moved across the border.

The US yesterday told Israel of its "strong objections" to the deportations, but President George Bush urged the delegations to the bilateral negotiations which drew to a close in Washington yesterday to keep talking.

Mr Bush met separately at the White House yesterday with each of the delegations, his first personal involvement in the talks for a year, and said he was confident his successor, Mr Bill Clinton, would carry on with the Middle East peace process.

"I am confident the new administration is going to want to see the peace talks continue. It has got to go forward," he said.

The deported Palestinians were all alleged Islamic militants. The government said they would have the right to appeal against the decision once they were in exile and would be allowed to return home after not more than two years.

Mr Rabin brushed aside the many protests, saying the expulsions were necessary to crack down on Hamas. "We said we would wage a war against terrorism if there were no peace negotiations and engage in peace negotiations as if there was no war against terrorism."

Saying the alternatives were to introduce the death penalty, destroy Palestinian homes or allow soldiers greater freedom to open fire in the occupied territ-

Continued on Page 16

New German takeover rules urged

By David Waller in Frankfurt

THE CHIEF of Germany's leading fund management company yesterday called for a radical overhaul of his country's corporate takeover rules.

Mr Christian Strenger, chief executive of DWS, the Deutsche Bank fund management arm which has DM58bn ($36.4bn) under management, said shareholders in German companies were disadvantaged because of the lack of a takeover code.

He said German banks and companies should devise a common code of practice which would set guidelines for such issues as disclosure and the treatment of minority shareholders in takeover situations.

The call comes a week after Calpers, the big US pension fund, condemned voting rights restrictions in place at many large German companies, including Deutsche Bank, DWS's parent company. Companies say they need these rules because there are no formal takeover regulations.

Mr Strenger said his proposals would make it possible for companies to abandon their voting restrictions, a move which would be welcomed by domestic and foreign shareholders as a way of enhancing share prices.

There are limited rules for takeover activity in Germany. Shareholdings need only be disclosed when they reach 25 per cent and there is no requirement for companies to treat all shareholders equally.

This means it is standard practice for companies to seek effective control of another company by acquiring a simple majority of shares or a blocking minority. There is no requirement for companies to pay a premium for corporate control, which Mr Strenger believes is to the detri-

Continued on Page 16

BA furthers global ambitions with A$665m Qantas stake

By Paul Betts in London and Kevin Brown in Sydney

BRITISH AIRWAYS took an important step yesterday in its strategy to become a global airline by acquiring a 25 per cent stake for A$665m ($458m) in Qantas, the Australian national carrier.

The UK carrier was chosen by the Australian government as the preferred foreign airline partner for Qantas against stiff competition from Singapore Airlines.

The Qantas deal coincides with growing signs that BA is likely to fail in its efforts to win US government approval for its proposed $750m acquisition of a 44 per cent stake in USAir, the sixth largest US carrier.

Mr John Major, the UK prime minister, will make a final attempt to secure US government approval for the BA-USAir deal during talks with President George Bush at Camp David tomorrow.

BA yesterday said it had "significant cash resources and external borrowing facilities" to finance the Qantas stake.

The deal is the first stage in the privatisation of the state-owned Australian carrier. The Australian government's remaining 75 per cent stake will be sold through a flotation next year.

The government said it hoped to receive a further A$1.5bn to A$2bn from the flotation, which would value the airline at between A$2.1bn and A$2.6bn.

Foreign financial institutions will be allocated 10 per cent of the stock, which may be listed on overseas stock exchanges. The net return to the government will be between A$800m and A$1.3bn, after providing for a A$1.35bn recapitalisation of Qantas through the conversion of A$1.2bn debt to equity and a cash injection of A$150m.

But the flotation may have to be delayed until 1993-94 to avoid a clash with the next federal election, due to be held by June.

■ Editorial comment — Page 14
■ Lex — Page 16
■ BA's global jigsaw — Page 19

BA's bid was accepted after Sir Colin Marshall, BA's chief executive, topped a rival offer from Singapore Airlines in last minute negotiations in Canberra with Mr Ralph Willis, the Australian finance minister.

Mr Willis said BA also offered greater strategic benefits to Qantas than Singapore Airlines, which sought to buy 20 per cent of the Australian carrier.

Australian control of Qantas and its identity as a national flag carrier would not be jeopardised, he said. BA's bid had met some strong opposition in Australia because of fears the UK carrier would seek to dominate Qantas.

But BA, which will be allocated three seats on a new 12-seat Qantas board to be chaired by an Australian, went to considerable lengths to reassure its critics it had no intention of seeking control. BA also said it planned to sign a 10-year commercial agreement with Qantas and establish a joint committee to identify areas of potential synergy.

Sir Colin said the deal would provide "significant benefits" for both airlines by linking BA's strong North American and European networks with Qantas' Pacific and Asian routes. It will also give BA access to the Pacific-US west coast market.

BA has now fulfilled its ambitions in Asia and Europe, where it recently took over Dan-Air in the UK and acquired large stakes in a French and a German regional carrier, but it is facing an uphill battle to gain approval for its proposed USAir deal.

Barring a last minute breakthrough during Mr Major's US visit, the Washington administration appears increasingly likely to block the deal.

The US has been seeking greater access for US carriers into the London market in return for approving the BA-USAir transaction. This has so far been vigorously resisted by the UK side.

CONTENTS

NEWS: EUROPE

Bundesbank resists cut in interest rates

By Christopher Parkes in Frankfurt

A CUT in German interest rates now would fuel inflation and lead to even sharper monetary restrictions in future, the Bundesbank warned yesterday.

It said domestic economic conditions had worsened and admitted that relaxation of its policies might temporarily help counter the effects of the slowdown on production and employment.

But any easing would come at the cost of accelerating inflation later. Experience showed monetary policy served economic development best when it provided stable monetary conditions, the bank said in its latest monthly report.

Domestic criticism of the central bank's stance has increased as recession has hit production, employment and company profits. But while the report acknowledged the mounting difficulties, it said it was up to the government, unions and employers to find the new answers necessary for a return to "lasting, inflation-free growth".

The bank accepted that the public sector's attempts to control spending were being hampered by the deteriorating economic climate, but noted that inflation was still "stubbornly high".

Total public-sector deficits this year were expected to be higher than in 1991 and to account for almost 4 per cent of Gross National Product, or 6 per cent if the borrowings of the Treuhand privatisation agency and the post and railway authorities are included.

The federal government's deficit was expected to increase in 1993 as tax revenues fell and social welfare and unemployment payments increased, the report noted.

The bank reminded the Bonn government it still had to find cuts to compensate for next year's planned supplementary budget of DM12bn (£4.9bn) in development aid for the east.

The Bonn government, which is aiming to produce its spending cuts proposals by the end of January, is also under pressure to deliver its mooted "solidarity pact".

The Bundesbank showed concern about recent decisions by Länder (state) governments to increase their 1993 spending by up to 6 per cent and an average 4.5 per cent.

While this marks a slowdown in the rate of growth, it is still far wide of Bonn's demand that regional budgets should increase by an annual maximum 3 per cent for the next few years.

The bank said the forthcoming public-sector pay negotiations would be especially important this year.

Hopes fade for German pact

By Quentin Peel in Bonn

HOPES of a rapid conclusion of the planned "solidarity pact" between German government, opposition, trade unions and employers were fading yesterday as serious differences emerged over tax plans and aid to east German industry.

Chancellor Helmut Kohl said he was still confident, hoping for substantive results in January or at the latest February – well after his original Christmas deadline. Agreement on such a deal, including an accord on wage restraint by trade unions and strict budget savings by central government and the 16 federal states, is seen as essential to a relaxation in interest rates by the Bundesbank.

Mr Björn Engholm, leader of the opposition Social Democrats (SPD), said he believed the chances for a genuine pact were receding; some form of unilateral government declaration was more likely.

Wide differences existed in how far the government was ready to maintain key east German industries, and what the opposition and trade unions were seeking. The government does not wish to give any general employment guarantee, and wants a strictly limited and defined policy of industrial subsidies for companies restructuring for identified new markets. The SPD and unions want at least 400 major east German enterprises saved.

The other key difference is that Mr Kohl is only prepared to consider a tax increase to finance the debt burden of east Germany in 1995. The SPD and unions want more tax revenues next year, to cut the budget deficit and encourage a relaxation in the Bundesbank's strict monetary policy.

Mr Kohl said the German business community was prepared to play its part in the solidarity pact. They were ready to guarantee large-scale training of eastern apprentices. Several insurance companies had agreed to provide urgent finance for increased house-building in the east.

He was confident the unions were ready to present moderate wage claims, but urged public-sector unions to reach a new wage agreement by February at the latest. Many other west European countries had already embarked on drastic budget savings, including Spain, Britain and France.

A budget savings package would be finalised in January, for a first-quarter supplementary budget to provide more cash for the east.

Chancellor Kohl yesterday proposed sending 1,500 German troops to Somalia, including "self-defence" units, engineers and communications teams, writes Quentin Peel.

His initiative was condemned by the opposition Social Democrats (SPD) as provocative, and contrary to the German constitution, because it would send armed soldiers potentially into action outside the Nato area.

Mr Kohl's move aimed to bring to a head debate in Germany over whether to join only peace-keeping operations, as the SPD prefers, or peace-making efforts too, as the chancellor proposes.

An old man gives the three-fingered Serb victory sign amid a 100,000-strong opposition rally in Belgrade yesterday. The Yugoslav prime minister, Mr Milan Panic, yesterday urged cheering supporters to depose his rival, Mr Slobodan Milosevic, the president of Serbia, in elections on Sunday, writes Laura Silber in Belgrade. Mr Panic said Mr Milosevic had "built a Chinese wall around Serbia" through war. Stark choice, page 14

Sauna diplomacy of Kohl and Yeltsin

Quentin Peel reports on how two leaders went to extremes to reach a finance deal

IF THE irrepressible Mr Theo Waigel, Germany's finance minister, is to be believed, then the key to the complex package deal negotiated between Bonn and Moscow this week lay in the chilly conservatory of Mr Boris Yeltsin's hunting lodge at Zavidovo, north of Moscow.

"It was cold enough to concentrate our minds," Mr Waigel said when he got back to the splendid surroundings of the Vladimir Hall in the Kremlin to sign the joint declaration, and a string of bilateral treaties. "Either we reached agreement, or we got the flu."

While Chancellor Helmut Kohl and President Boris Yeltsin went hunting boar (the Russian got one, but none for the nervous Chancellor), their ministers thrashed out the last tricky details of the debt-and-compensation deal, after more than a year of hard bargaining.

Then Mr Kohl, Mr Yeltsin and Mr Waigel all repaired to the sauna, with nothing but an interpreter and a few birch twigs between them, in a display of intimate camaraderie with which no other western leaders can compete.

As the German delegation flew back to Bonn on Wednesday night, it was obvious they were relieved and elated to have emerged unscathed by the political upheavals surrounding Mr Yeltsin. Mr Kohl had demonstrated his support for him, sorted out their outstanding disputes over compensation for Soviet military installations, and Moscow's debts to the former East Germany, and put Bonn back on top of the list of Russia's most helpful western partners. It was no mean achievement.

And yet there were dissident voices in the back of the aircraft, suggesting that the entire exercise was little more than sticking plaster.

It would buy Mr Yeltsin's embattled government a few more months before they are faced with the next desperate need for another round of debt relief.

There were really four elements to the deal. Germany agreed to suspend its claim, until the year 2000, for repayment of a small mountain of debt run up with the former East Germany in the last six months before unification. The sum is 6.4bn transferable roubles – the accounting unit used by the former Comecon states, and valued in the German unification treaty at an exchange rate of DM2.34 (96p).

The money is owing for goods which were ordered and delivered before Moscow had to pay for its imports in hard currency, and the Russians dispute the true value of the debt.

Now both sides have agreed not to talk about it at all for eight years, and then try to negotiate a deal. Most Germans admit the money is as good as written off, but the fact the debt exists is accepted by Moscow. In exchange, Mr Yeltsin has agreed to abandon claims for massive compensation for the Soviet military property in East Germany: Bonn's claims for environmental reparations, and Moscow's claims for property payment for its 243,000 hectares and 20,000 buildings, have simply been cancelled out in a "zero solution". The Soviet military is decidedly unhappy, but Germany is delighted with a reasonable compromise, even if the environmental clean-up costs billions. The only new cash in the agreement is DM550m, to be paid by Bonn in extra housing grants for returning Russian soldiers.

There were many fine words about future economic co-operation, and the green light for potentially the biggest joint venture of all – an oil and gas exploration scheme by Germany's Deminex near Volgograd. But the businessmen who came with Mr Kohl were very tough and sceptical about investment opportunities when they met Mr Yeltsin.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-November 1992

	Volume (Units)	Volume Change(%)	Share (%) Jan-Nov 92	Share (%) Jan-Nov 91
TOTAL MARKET	12,535,000	−1.3	100.0	100.0
MANUFACTURERS:				
Volkswagen*(incl. Audi,SEAT&Skoda)	2,181,000	+5.7	17.4	16.3
General Motors (Opel/Vauxhall, US# & Saab)	1,557,000	+0.7	12.4	12.2
– Opel/Vauxhall	1,490,000	+1.4	11.9	11.6
– Saab**	47,000	−3.2	0.4	0.4
Peugeot (incl. Citroen)	1,521,000	−0.1	12.1	12.0
Fiat (incl.Lancia, Alfa Romeo,Ferrari Innocenti,Maserati)	1,499,000	−7.7	12.0	12.8
Ford (Europe, US# & Jaguar)	1,432,000	−5.8	11.4	12.0
– Ford Europe	1,420,000	−5.7	11.3	11.9
– Jaguar	10,000	−12.7	0.1	0.1
Renault††	1,328,000	+5.6	10.6	9.9
BMW	415,000	+7.2	3.3	3.1
Nissan	403,000	−4.5	3.2	3.3
Mercedes-Benz	382,000	−11.1	3.0	3.4
Toyota	312,000	−9.4	2.5	2.7
Rover†	299,000	−10.3	2.4	2.6
Mazda	253,000	−8.4	2.0	2.2
Volvo††	185,000	−0.7	1.5	1.5
Honda†	165,000	+1.5	1.3	1.3
Mitsubishi	150,000	−18.4	1.2	1.5
Total Japanese	1,484,000	−6.8	11.8	12.5
MARKETS:				
Germany	3,638,000	−7.4	29.0	30.9
Italy	2,226,000	+2.0	17.8	17.2
France	1,886,000	+1.1	15.0	14.7
United Kingdom	1,514,000	−1.3	12.1	12.1
Spain	897,000	+9.9	7.2	6.4

#Cars imported from US and sold in western Europe.
*VW holds 31 per cent and management control of Skoda.
**GM holds 50 per cent and management control of Saab Automobile.
†Honda holds a 20 per cent stake in Rover vehicle operations.
††Renault and Volvo are linked through minority cross-shareholdings.
Source : Industry estimates

Western Europe's new car sales up by 1.2%

By Kevin Done, Motor Industry Correspondent

SALES of new cars in western Europe increased by 1.2 per cent last month, with higher demand in Germany and France compensating for a heavy decline in sales in Italy.

According to industry estimates, sales in the first 11 months of the year, at 12.53m, were 1.3 per cent lower than in the corresponding period a year earlier.

New car sales last month rose to an estimated 974,000 from 963,000 a year ago. However, carmakers are becoming increasingly gloomy about the outlook for new car demand in west Europe in 1993.

According to Mr Jacques Calvet, chairman of the Peugeot group of France, new car sales in west Europe are forecast to fall by more than 4 per cent next year.

Most car producers have already imposed short-time working, and Ford this week became the latest to announce a big cut in its workforce, with plans to eliminate more than 10,000 jobs in Europe by the end of next year.

Ford's Spanish subsidiary said yesterday that it would cut 1,200 jobs next year, of which 950-1,000 would be lost at its car and engine plants at Valencia.

Despite the steep fall in new orders in Germany, new car sales in Europe's single biggest market rose last month by 4.7 per cent to 285,730. Demand is being pulled forward from January in advance of a rise in value added tax.

Ominously, new car sales fell heavily in Italy, showing a decline of 11.7 per cent. Italy, the second largest car market in Europe, has long enjoyed steady demand, but sales have now been lower than a year ago for four months in succession.

Demand is also weakening in Spain, where car sales fell by 1.3 per cent in November. Sales had increased strongly in the early months and in the first 11 months were still 9.9 per cent higher than a year ago.

In the weak UK market, new car sales rose by 6.3 per cent in November, although sales for the first 11 months were still 1.3 per cent below the very low level of last year.

Registrations in the UK have been higher than a year ago in three of the past four months, although the stronger demand is mainly coming from the fleet sector.

Across west Europe, new car sales in November were lower than a year ago in nine of 17 markets. The Volkswagen group of Germany, which includes Audi, Seat and Skoda, has consolidated its lead in the west European market and has boosted its share to an estimated 17.4 per cent in the first 11 months of the year from 16.3 per cent a year ago.

Despite its sales success, the group has warned this week that it has slumped into loss in the final quarter of the year. It is facing widespread short-time working at its German plants and further job cuts, as it seeks belatedly to tackle its uncompetitive German cost-base.

Gaidar given advisory position

PRESIDENT Boris Yeltsin, striving to keep Russia on the free-market road, has given his sacked reform chief Yegor Gaidar a new advisory role and told the new prime minister to form a cabinet by next Tuesday, Reuter reports from Moscow.

Mr Yeltsin's press office said Mr Gaidar, replaced as premier three days ago by the more conservative Mr Viktor Chernomyrdin, had been appointed a presidential adviser on economic policy.

A separate presidential order set a Tuesday deadline for Mr Chernomyrdin, previously deputy prime minister in charge of fuel and energy, to form his new government.

Backing for Polish miners

Poland's steelworkers yesterday threw their backing behind the the stoppages sweeping the industrial heartland of Silesia, as strikes spread to all but five of the country's 70 coal mines, writes Christopher Bobinski in Warsaw.

The steelworkers declared a "strike alert" to underscore their support, enabling them to take action if the government refused to meet the miners' demands. Protests began on Monday against continuing government wage curbs on state industries.

Fabius challenge in Aids blood row

Mr Laurent Fabius, the leader of the French Socialist party, yesterday asked to appear before a High Court to face charges over a scandal involving the distribution of blood tainted with the HIV virus, writes William Dawkins in Paris.

His move followed the widespread criticism against Socialists yesterday when MPs blocked an attempt in parliament to bring two of Mr Fabius's former ministerial colleagues to justice over the scandal. Mr Fabius's gesture could reduce the damage to the Socialists' image inflicted by the parliamentary block.

"So that no possible ambiguity remains ... I will myself vote for the indictment calling on the High Court to deal with my case since that is today the price of truth and honour," he said.

Craxi decision is postponed

The executive of Italy's Socialist party yesterday decided to postpone until a special congress in mid-January a decision on the future of its leader, Mr Bettino Craxi, following notice he was under investigation by Milan magistrates for alleged corruption, writes Robert Graham in Rome. The party now has a month to persuade Mr Craxi to step down and find a replacement.

Dealing with the crisis in a more measured way should ease pressure on the four-party coalition, of which the Socialists are a key element.

Successor to MacSharry

Mr Padraig Flynn, Ireland's justice minister, has been appointed as his country's new commissioner to the EC commission, to replace Mr Ray MacSharry, who stands down next month, writes Tim Coone in Dublin.

A conservative-minded former school teacher and publican, Mr Flynn, 53, is a devout Catholic and member of the Fianna Fail party.

Albania makes hard work of investment

Kerin Hope reports on the risks and frustrations of setting up in Europe's most backward country

FILTERED through wheezing loudspeakers at the Shkodra Chamber of Commerce, Mr Ahmet Musavi's invitation to invest in Albania could almost be mistaken for an obituary of the country's manufacturing industry.

With unworldly truthfulness, Mr Musavi, chairman of the city council, explained why all but three of the 15 state-owned factories on offer stopped work over a year ago. The reasons he cited were similar: shortages of raw materials and spare parts, outdated technology and mass departures of skilled workers.

"We are ready to welcome foreign investors, whether in joint ventures or on their own. We want to modernise, but we don't have any money," he said.

The factories in question, among them plants that used to produce textiles, shoes, soap and canned vegetables, could serve as a museum of industry. It is hard to imagine that anyone could get the pre-second world war machinery from Italy – along with Chinese and Hungarian imports from the 1960s – working again.

Albania's emergence from autarchy is going to be painfully slow, despite the government's avowed enthusiasm for establishing a market economy. While strikes and massive emigration to Italy and Greece succeeded in hastening the collapse of the Stalinist system, the economy was reduced to ruins.

When the Democratic party came to power in March, almost two-thirds of the country's factories had shut and most farm co-operatives had been divided up, sometimes by force, into peasant smallholdings. Albania's foreign debt has swelled from $200m to $600m in two years, while exports almost ground to a halt.

> Albania's mining industry was dependent until recently on the unpaid labour of political prisoners.

The Albanians' dream was that as soon as communism was defeated, luxury tourist resorts would start springing up along their unspoiled coastline. In fact, initial interest shown by Italian hoteliers and Greek contractors has faded because the government insists that foreigners cannot buy land, but must settle for a 49-year lease.

The European Bank for Reconstruction and Development is trying to find international companies willing to modernise Albania's mining industry, dependent until recently on the unpaid labour of political prisoners. But a slump in prices for copper and chrome could discourage potential investors, who would have to spend heavily on improving processing and productivity.

Prospects look somewhat brighter for the oil industry. Preliminary offshore surveys by US, Italian, and German oil companies granted concessions last year reportedly produced encouraging results, with test drilling due to start early in 1993. Yet no foreign company has been signed up to modernise the onshore fields in southern Albania, where output has dropped by more than 40 per cent in the past decade.

For all the apparent willingness to embrace change, Albanian officials clearly find it hard to throw off their traditional suspicion of outsiders, which did much to sustain Enver Hoxha's policy of isolation in the communist period.

Efforts to set a legislative framework for investment are also hampered by the past: Albania lacked a justice ministry for over 20 years before it was re-established in 1990. Importing legal expertise has become a priority in order to introduce basic tax, commercial and company law.

"Confusion over the legal position, combined with the long-drawn out process of decision-making makes it very frustrating trying to do business here," says Mr Alex Standish, a British consultant.

> The total capital invested this year is $38m, of which $21m was provided by foreigners

Over 50 joint ventures have been set up, mostly by Italian and Greek companies in partnership with state companies or individual Albanians, according to the Ministry of Trade. But only a modest amount is being invested: the total capital invested this year is $38m, of which $21m was provided by foreigners.

Greece is keen to help develop the Albanian economy, partly as a way of stemming the flow of illegal Albanian immigrants across the border. Its investment incentives law was extended this year to include southern Albania. The state-controlled Hellenic Industrial Development Bank includes Albania in an EC-financed programme it runs for developing small business in eastern Europe.

But the practical problems of working in a country with only a few thousand kilometres of surfaced roads, where bank transfers take weeks to arrange and where ports are almost permanently occupied unloading EC and US aid, mean that fewer than half the joint ventures are in regular operation.

It will be some time before Albania starts getting international funds for making infrastructure improvements. Much will depend on how firmly the government sticks to the conditions of a $25m IMF stand-by loan granted this year. There are already problems over its readiness to delay unpopular measures, such as reducing unemployment benefits or launching privatisation.

Mr Vassilis Anastasiades has spent almost two years negotiating a joint venture to make sports clothes in southern Albania. "The risks in Albania are huge and it's impossible to predict when the investment climate will stabilise. But if you're in a business where labour costs matter, it's worth persisting," he says.

EBRD signs $10m telecoms loan pact

THE European Bank for Reconstruction and Development and the government of Albania have signed a $10m loan agreement for a telecommunications project. The bank has also been awarded a mandate to act as financial adviser on foreign investment in its chromium industry.

The loan will help finance the modernisation and expansion of the telecommunications system in Albania. The expansion will almost double the number of subscribers in Albania, increasing the telephone density from 1.45 lines per 100 inhabitants to 2.25. The project is the first phase of a long-term development programme towards a digital network by the turn of the century.

The European Bank's involvement with Albchrome, the Albanian state-owned chromium industry, will be assisted by a consortium of advisers providing technical assistance in legal, mining, accountancy and financial analysis.

The bank has arranged for the financing of technical assistance contracts from funds made available from the US Agency for International Development.

Albania is the third largest producer of chromium in the world.

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Rebound in exports cuts US trade gap sharply

By Michael Prowse in Washington

THE US trade deficit fell sharply between September and October but the longer-term trend remained adverse, figures from the Commerce Department indicated yesterday.

A rebound in exports accounted for most of the decline in the deficit, which fell to $7bn against a revised shortfall of $8.6bn in September.

Wall Street analysts were taken by surprise, having forecast a deficit of about $8bn in October.

Exports rose $1.3bn to $39.2bn, a new record in cash terms. Imports fell $0.2bn to $46.2bn.

However, the US's bilateral deficit with Japan rose sharply to $5bn, the highest monthly figure for four years, raising fears of increased trade tension in coming months.

Much of the overall rise in exports, moreover, reflected higher sales of civilian aircraft, which are notoriously volatile on a monthly basis. Sales of telecommunications equipment also rose strongly.

In spite of the stronger-than-expected figures for exports, the longer-term trend appears to remain adverse, reflecting faster growth of consumer demand in the US than in most overseas markets.

The trade deficit averaged $8.2bn in the three months to October, compared with only $4.9bn in the first three months of this year.

The trade deficit for the first 10 months of this year was $67.5bn, compared with $55.1bn in the same period last year.

● In a separate report the Labour Department said claims for state unemployment insurance rose 22,000 to 347,000 in the week ending December 5, the first rise in four weeks. The level of claims, however, remains consistent with steady improvement in labour market conditions.

Old allies ponder future of Special Relationship

Britain may find itself becoming an intermediary between the US and Europe, reports George Graham

THE arrival of Mr John Major in Washington for a farewell visit to President George Bush brings to a close a particularly fruitful chapter in the "special relationship" between the UK and the US.

The personal chemistry between Mrs Margaret Thatcher and Mr Bush may have been a little cooler than her earlier rapport with President Ronald Reagan, but Mr Major and Mr Bush seem to have found their way back onto the same wavelength.

Now the British prime minister will have to re-establish common ground with President-elect Bill Clinton, at a time when the common threat of Soviet communism no longer looms so clearly; when international challenges such as the crises in Yugoslavia and Somalia raise new questions about the roles the US and the UK should play in the world; and when the US's first instinct may be to turn inwards, away from Europe and, in the process, from the UK.

The special relationship has never been free of friction, and the clashes over issues such as Suez and the Skybolt missile have at times been spectacular.

And some US officials slight talk of a special relationship as wishful thinking.

"We are constantly struck here by our allies' desire to maintain special means of consultation," said one official.

Nevertheless, most British and American officials agree that there is a different quality to their relations, built on the memory of Sir Winston Churchill and on linguistic and cultural foundations, but also on a feeling that the UK is consistently the US's most dependable ally.

John Major: eager to be liked

"There is a very high comfort level because of language and institutions and political process," says Ms Rozanne Ridgway, a former assistant secretary of state in charge of European affairs and president of the Atlantic Council of the US, a Washington-based policy group.

"A conversation with a British diplomat is in some ways different from a conversation with any other diplomat," comments a senior congressional officer.

"Until I came to Washington I would never have believed the relationship between the British and the Americans," confirms a European diplomat.

While think tanks often urge the US to concentrate more on its links with Germany and Japan, both countries, though economically more important, are inhibited by history and by their constitutions from acting on the world stage. France and Canada can get involved, but each has regularly been at philosophical odds with the US on when and how to act.

This gives the UK a stronger voice on questions such as Yugoslavia – though not on Somalia, where it has chosen not to get involved.

Washington officials attribute much of the recent strength of the special relationship, not only at the government level but also in the US population at large, to the Gulf war. Images of "plucky Brits parading through the desert" filled US television screens, while the French were seen – fairly, until Mr Jean-Pierre Chevènement's resignation as defence minister – to be holding back.

More recently, the UK has played an important role in reviving the stalled trade negotiations between the US and the European Community, opening the way for a possible completion of the Uruguay Round of the General Agreement on Tariffs and Trade.

Some have argued in the past that the UK must prove its commitment to Europe by distancing itself from the US; others have taken the opposite view that full British involvement in Europe will damage its US ties.

Ms Ridgway, however, disputes the idea that there is incompatibility in the UK's simultaneous involvement with Europe and the US.

"I don't find there has been any dilution of the dialogue since Britain joined the EC. It's an argument that people use for other reasons," she says.

Nevertheless, the UK may increasingly be placed in the difficult position of acting as interpreter between the US and Europe – especially France – as the EC continues down the road of unification, a process which most US politicians applaud in theory but find somewhat disquieting in its application.

It has already filled this role, along with the Netherlands, in the debate of the last two years over Europe's defence identity.

George Bush: more amenable to BA bid

But Mr Hans Binnendijk, director of the Institute for the Study of Diplomacy at Washington's Georgetown University, argues that British discomfort may ease as the new Clinton administration finds more common ground than its predecessor with Brussels and Paris.

"That doesn't mean Britain would become less important as an ally, but it wouldn't be the two of us against the rest of Europe," he says.

On some issues, US-UK friction is likely to be greater under Mr Clinton than under President Bush. These include Northern Ireland – Democrats have traditionally been more sensitive to Irish nationalist urgings than Republicans – and British nuclear testing in the US's Nevada explosion sites, which the new administration will want to halt.

A Clinton administration is also likely to be less amenable than the Bush team to British Airways' bid to buy a big stake in USAir – but this issue may be settled before Mr Clinton takes office.

These difficulties will not be insurmountable if Mr Major can establish the requisite personal chemistry with Mr Clinton, but he will have to wait.

Clinton aides insist that no snub is intended by their inability to find time for a meeting on this visit. Since both men are basically likeable and eager to be liked, their chemistry should in time prove to be more than adequate.

Rules add to US bank costs

By George Graham in Washington

US BANKS face costs of up to $17bn from the burden of regulations imposed on them by Congress and their supervisors, a study by the main federal regulatory agencies concludes.

In a report delivered to Congress yesterday, the Federal Financial Institutions Examination Council – grouping representatives of the Federal Reserve Board, Federal Deposit Insurance Corporation, Office of Thrift Supervision, National Credit Union Administration and Office of the Comptroller of the Currency – estimated regulatory costs in 1991 at between $7.5bn and $17bn.

This would amount to 6-14 per cent of total non-interest expenses of the banking industry, the study concluded, even without the additional burden of statutory reserve requirements – the unremunerated deposits that banks must hold at the Federal Reserve – and provisions of the new banking law passed at the end of 1991.

Mr John LaWare, a governor of the Federal Reserve Board, said excessive regulations weighed particularly heavily on small banks; although many of the regulations were necessary, their cost was ultimately borne by the consumer.

The study recommended changes to 60 rules that could be made immediately by regulatory agencies and suggested a commission might help to overcome political obstacles to bank reform legislation.

Argentina's capital inflow tops $1bn

By John Barham in Buenos Aires

ARGENTINA'S central bank says capital inflows have topped $1bn so far this month, a record since the country made its currency convertible in April 1991. The record is all the more remarkable because in November the country suffered its first sustained currency crisis in nearly two years.

A central bank official said yesterday the bank has added $1.008bn to its reserves so far this month, bringing net capital inflows for this year to $5.76bn. Between April and December last year, the central bank bought $3.11bn in foreign currency.

To prevent a return to its tradition of heavy inflation and massive devaluations, Argentina has made its central bank independent and pegged the peso to the US dollar by law. Under this so-called convertibility law, the central bank may print money only if it is fully backed by foreign currency, gold or a limited quantity of government bonds.

Last month, investors, who were worried that economy minister Domingo Cavallo's policies were unravelling and his grip on power slipping, bolted for the exits by selling pesos, leading to a $230m net outflow of funds, the first since Mr Cavallo took office in January 1991.

Although December's strong capital inflow is a sign of renewed confidence in Mr Cavallo's policies, analysts warn investors are being attracted by high interest rates that yesterday stood at 22 per cent a year in dollar terms.

They warn that once companies' traditional end-of-year demand for local currency eases, the inflow of foreign capital may slow sharply.

International consortium wins satellite contract worth $1.7bn

By John Barham

ARGENTINA has awarded a contract worth $1.7bn to build, launch and operate its first domestic communications satellite to a five-company international consortium, which is expected to put the satellite in orbit by 1996.

Since Argentina has already privatised nearly all its telecommunications services, the government in effect picked the operators of what will be a privately operated satellite communications system, which will have the right to use both of Argentina's now unused satellite allocations.

The consortium – in which France's Aérospatiale and Alcatel, Alenia Spazio of Italy, Embratel of Brazil and Deutsche Aerospace all have a 20 per cent stake – will be responsible for designing, building, launching and operating the satellite.

Building and launch costs are estimated at $200m. Earth stations and infrastructure should cost a further $1.5bn.

Trade talks season likely to come to end

By David Dodwell in Geneva

INTERNATIONAL trade negotiators are today expected to call a halt to the pre-Christmas push for a breakthrough in the Uruguay Round of talks on global trade liberalisation.

Many are voicing frustration at the slow progress made in recent weeks, while others are casting doubt over whether a successful result is achievable.

Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade, has called a meeting today of the top-level Trade Negotiations Committee (TNC), at which he is expected to "close the negotiating season".

His hope that a final Uruguay Round text might be agreed by Christmas has been dashed. Negotiators expressed fears in Geneva yesterday that top-level changes in the EC on January 1, and the change in the US administration on January 20, would slow negotiating progress still further in the new year.

A gloomy senior US official complained of "an overall disappointing lack of progress in securing a large market access package either in industry or agriculture", and said that it was "becoming increasingly difficult to imagine how we can possibly wrap up a political consensus in the near future".

He challenged the credibility of compromises proposed by the European Community in industrial, services and agriculture schedules published in the past week: "Before the ink is even dry on the EC offer, it has been repudiated by one of the EC members."

He was referring to a statement made by Mr Roland Dumas, the French foreign minister, in Geneva on Wednesday, in which he said the EC package went beyond the European Commission's mandate, and as such was "null and void".

The US official said that France's actions "call into question the status of much of the EC's overall negotiating position". EC negotiators were swift to challenge Mr Dumas' claims, insisting they had a full and unequivocal mandate to negotiate a Uruguay Round deal. They said the offers tabled this week were aimed at achieving a "global, balanced package" (one of few phrases they shared with Mr Dumas).

EC revises list of tariff cuts on industrial goods

THE European Community yesterday presented a revised draft list of tariff cuts for industrial products in the Uruguay round of trade liberalisation talks, but admitted it fell short of the target set by ministers of a one-third overall reduction in import duties, writes *Frances Williams* from Geneva. The EC offer, described by a senior official as "illustrative" and a basis for negotiation, would lower tariffs across the range of industrial products by an average of nearly 25 per cent.

However, for countries such as the US and Canada, the reduction is nearer 30 per cent while for others, notably Japan, it is less generous. This reflects what EC negotiators say are unsatisfactory offers from the other side.

Community officials said the Uruguay round target had been missed because the US had rejected the across-the-board formula approach favoured by the EC and others. Instead, it had insisted on a request and offer approach to the tariff negotiations, alongside reciprocal *zero-for-zero* deals in particular sectors. "It is now clear this is not leading to a satisfactory outcome," a top EC negotiator said.

However, US officials complained yesterday that the EC appeared to be pulling back on parts of an "emerging maximum package" the two sides had agreed to aim for last month, which would have combined additional *zero-for-zero* sectors with reductions in remaining very high tariffs.

The EC offer mixes a tariff cut formula, including bigger reductions for the highest duties, with some sectoral initiatives. Officials claim that, after applying formula cuts averaging one-third, the EC would be the only leading trader with no duties on industrial products above 20 per cent.

EC says Japan must open up legal and financial services

By Robert Thomson in Tokyo

MR Frans Andriessen, the EC external affairs commissioner, said yesterday Japan should not regard agriculture as "the only issue" in the Uruguay Round of trade talks and should be ready to make concessions in areas such as legal and financial services.

The controversy within Japan over a likely relaxation of the rice import ban as part of a Uruguay Round settlement has dominated Mr Andriessen's two-day visit to Tokyo, but he sought to draw attention to a range of other outstanding issues.

Mr Andriessen said Japanese banking and insurance regulations still unfairly limit the activities of foreign institutions.

He said import controls should be lifted on foodstuffs, leather and footwear as part of the multilateral negotiations under the General Agreement on Tariffs and Trade.

"Financial services have always been a key area in the Gatt agreement," he said.

"In Europe, we have the most open financial services market in the world, and we want others to give us fair treatment."

On rice, Mr Andriessen yesterday met Mr Masami Tanabu, agriculture minister, who defended Japanese farmers' interests. While other Japanese ministers indicated that the government will be "flexible" on rice, Mr Tanabu said a market opening was unlikely.

But Mr Andriessen's general impression after his round of the ministries was that the "mood is there" for a market opening.

China buys Boeing aircraft for $800m

CHINA Southern Airlines, the expanding Guangzhou-based carrier, yesterday ordered six Boeing 777 widebody aircraft worth $800m (£507m), writes Paul Betts, Aerospace Correspondent.

This is a boost for the US manufacturer, which is developing the new 777 twin engine widebody aircraft at a cost of around $4bn. It is scheduled to enter service in 1995.

China Southern is the 11th customer to select the 777. Boeing announced earlier this week that the Californian-based International Lease Finance Corporation was buying six Boeing 777s as part of a significant $4.1bn package of new aircraft orders involving both Boeing and European Airbus airliners.

US groups in Russian deal

Russia's main space launcher manufacturer has been given permission by Moscow to sign commercial contracts with two US companies, Motorola and Lockheed, writes Daniel Green.

The Interfax news agency said Mr Viktor Chernomyrdin, Russia's new Prime minister, had agreed that the Khrunichev factory sign the contracts. The deal with Motorola would be for the launch of three communications satellites, while a joint venture would be set up with Lockheed.

Khrunichev had been given permission to spend $40m on the satellite project which would be recouped from future hard currency income.

Texas, Samsung in chip venture

Texas Instruments (TI), the US high-technology company, and Samsung, the South Korean electronics giant, yesterday signed a letter of intent for a multi-million-dollar joint manufacturing investment in Oporto, northern Portugal, writes Peter Wise in Lisbon.

The agreement is the first joint venture between the two.

After two steps back, Brazil takes another familiar one

Christina Lamb assesses the debilitating impact of the resignation of the latest economy minister after just two months


Krause: resignation provoked disarray that fed into the lowest of expectations

BRAZIL woke up yesterday to a familiar scene. Another economy minister out – the seventh since 1985 – and frantic speculation on impending economic plans which caused a rush into the dollar and prompted shopkeepers to mark up prices.

The resignation of Mr Gustavo Krause after just two months in office provoking such disarray shows just how much expectations have fallen since Mr Itamar Franco assumed the presidency after the suspension of President Fernando Collor on corruption charges.

The appointment of the inexperienced Mr Krause to run the world's ninth-largest economy had, after all, sent stock markets crashing. Yet his continuation in government as a known free-marketeer had become a guarantee that the orthodox stabilisation programme would continue.

Mr Paulo Haddad, the planning minister who has temporarily assumed the economy portfolio, insists that there will be no change in policy, nor any shock measures in the battle against inflation of 25 per cent a month.

But in the absence of any clear policy direction, the departure of Mr Krause – combined with the suspension of the privatisation programme and a series of meetings between Mr Franco and economists advocating nationalist ideas – are being viewed as strong indications that Brazil has seen the end of its modernisation programme, at least for the near future.

"Everything points towards a sharp change in orientation of the Brazilian economy and the trend is for less liberalism and more state intervention," says Mr Carlos Langoni, economics professor at the Getulio Vargas Foundation.

Such a shift will not be certain until after Mr Franco's ministerial meeting this weekend and his first address to the nation next Wednesday after the senate judgment of Mr Collor which is expected to strip him of power. Mr Franco says he cannot get on with governing until he is officially President and can take Mr Collor's portrait down from his office wall.

But analysts note that the 61-year-old Mr Franco has given no commitment to the modernisation programme of his predecessor.

Instead, he shows every sign of favouring the state intervention, nationalism and populism that he has always supported throughout his long political career.

He chose a communist as leader of the government in Congress and his main policy moves so far have been to suspend privatisation, albeit temporarily, the suppression of public sector tariffs, and a war on foreign pharmaceutical companies for "abusive price increases". He has ordered the Inland Revenue to investigate their activities. Last month he cancelled talks with the International Monetary Fund.

He rejected the Krause-Haddad formula of continued high interest rates, privatisation, and fiscal adjustment to combat inflation. He has been consulting all week with Mr Paulo Nogueira Batista and Mr Dercio Munhoz, economists who favour prices and incomes policy and the lowering of interest rates and a big state investment programme to restart growth. The former even advocates a moratorium on foreign debt payments.

Already behind much of Latin America in stabilising its economy, Brazil has never really gone far down the path of modernisation. Many people have still not accepted the failure of the old import substitution model which for many years made it the world's fastest growing economy.

The focus now is on whether Mr Haddad remains in office and manages to maintain real interest rates against Mr Franco's desires. He is under pressure from sectors within the government to leave and from outside to stay and keep up the resistance against less orthodox measures. His hand may have been strengthened by the strong reaction to Mr Krause's resignation which sent the black market dollar premium soaring to almost 20 per cent, its highest for more than a year.

The congress is still discussing a fiscal reform package crucial to help plug a $15bn hole in the government budget for next year. Mr Roberto Freire, the leader of the government in Congress, asked yesterday: "Hasn't anyone noticed that while they are all speculating about shocks and deviations in policy in fact we are still negotiating fiscal reform ?"

However the departure of Mr Krause, a key negotiator in Congress, has reduced the likelihood of this passing and uncertainty is now so high that the main economic agents are acting as if a shock plan had been announced, resorting to risk instruments and marking up prices as protection against a future freeze.

Through his vacillations, Mr Franco has already undone the work of former economy minister Marcilio Marques Moreira in convincing the business community that the era of shock plans had ended.

According to the director of FIPE, an institute which measures inflation, protective price increases have already put 2.5 percentage points on inflation this month which is expected to near 30 per cent in January.

Mr Daniel Dantas, director of Icatu Bank, believes this may be a good thing: "We've all got too accustomed to 25 per cent a month inflation. Perhaps what we need is for it to rise to a level which cannot be tolerated and shakes everyone up."

But Mr Langoni complains: "We're just wasting time. What we have learnt from the experiments of the last few years is there is no other way but strict monetary policy and fiscal adjustment."

Party rallies to back Rao in MPs' vote

By Stefan Wagstyl in New Delhi

MR P V Narasimha Rao, the Indian prime minister, last night looked likely to survive a parliamentary no-confidence motion over his government's handling of the Ayodhya mosque crisis.

The ruling Congress (I) party and its smaller allies seemed set to rally around the prime minister to defeat a motion proposed by the right-wing Hindu Bharatiya Janata party (BJP), the main opposition party. The BJP organised a rally at which Hindu militants destroyed the mosque in Ayodhya and provoked a nationwide wave of violence.

However, despite the public show of loyalty, many Congress party MPs harbour serious doubts about supporting Mr Rao as prime minister. They feel that some of the criticisms of the government's role before and after the storming of the mosque on December 6 have hit home. Some believe the party may have to call a general election next year to try to restore its damaged credibility.

With the BJP defiant, India could face a prolonged political fight over Ayodhya.

The uncertainty clouds the outlook for Mr Rao's widely praised economic liberalisation programme, which has drawn much of its force from the single-mindedness of his cabinet and its senior advisers.

Any hope that the crisis might be settled quickly has evaporated with a government decision to impose central rule on three BJP-ruled states – Rajastan, Madhya Pradesh, and Himachal Pradesh.

Mr Rao had earlier won praise for dismissing the BJP government in Uttar Pradesh, which includes Ayodhya. But this week's move has been condemned by commentators as unconstitutional.

If he sits tight and tries to ride out the crisis by doing as little as possible, he will alienate hardliners in his own party who want him to go all out in attacking the BJP. Moslems, who have traditionally supported Congress, also want firm action. However, the strong use of government power runs the risk of provoking sympathy for the BJP.

Even Indians who have no time for the BJP are very wary of the government imposing central rule – because of the memories it evokes of repressive acts carried out during Mrs Indira Gandhi's period of central government rule in the "emergency" of the 1970s.

● India's Supreme Court yesterday reinstated an investigation into allegations of corruption over a $1.3bn (£855m) artillery deal with the Swedish company Bofors, Reuter adds.

It delivered final judgment on a government appeal against a lower court order in September which ended the investigation into the 1986 deal on the grounds that no charges had been brought despite the lengthy probe.

NEWS IN BRIEF

UN troops halted by Khmer Rouge

KHMER ROUGE guerrillas in Cambodia yesterday detained another 46 United Nations peacekeepers, only hours after releasing an earlier batch of 21, in their latest defiance against the UN's $2bn mission to bring peace and democracy to the country, writes Victor Mallet in Bangkok.

All 46 are armed Indonesian soldiers who were told by the Khmer Rouge not to leave the village of Phum O Sala, 10km east of the central town of Kompong Thom. They had gone to the village to discuss the earlier seizure of the 21 UN personnel. Last night the Indonesians were in a stand-off with about 70 armed Khmer Rouge guerrillas. UN soldiers are allowed to fire only in self-defence, and so far none of the 16,000 UN military personnel in Cambodia has fired a shot in anger.

French retake Somali embassy

French troops reclaimed their embassy on Mogadishu's "green line" yesterday almost two years after a civil war forced its evacuation, Reuter reports from Mogadishu. About 300 French troops arrived in Somalia last week as part of a US-led multinational task force to stop gunmen from looting food convoys.

Moi to be warned over election

Commonwealth observers are expected to warn President Daniel arap Moi today that Kenya's election process has not so far been free and fair, writes Michael Holman in Nairobi. A delegation led by Mr Justice Telford Georges, leader of the 88-member monitoring team, will ask the president to respond to charges of nomination "irregularities", misuse of state resources, and intimidation by the ruling Kanu party.

IMF assails S African tax break

The International Monetary Fund has strongly criticised tax incentives provided by the South African government which formed the basis for the Alusaf aluminium smelter and Columbus stainless steel plant expansion, two large capital projects worth more than R10bn (£2.1bn) approved in the past month, writes Philip Gawith in Johannesburg.

East Timor talks start

United Nations sponsored talks between Indonesia and Portugal began yesterday in New York over the disputed territory of East Timor. Diplomats are pessimistic that the dispute will be resolved, with relations worsening following the arrest of the East Timorese rebel leader, writes William Keeling in Jakarta.

Osman remanded in Hong Kong

Mr Lorrain Osman, the former chairman of a Malaysian bank who was extradited from Britain to Hong Kong on Wednesday, was yesterday remanded in custody pending a bail hearing early next week, writes Simon Holberton in Hong Kong.

S Korean candidates trade insults

John Burton in Seoul

SOUTH Koreans vote today in presidential elections after a campaign in which allegations of vote-buying and state interference in the electoral process have overtaken discussion of key issues such as the ailing economy.

Mr Kim Young-sam of the ruling Democratic Liberal party (DLP) and Mr Kim Dae-jung of the main opposition Democratic party are virtually tied in private surveys – publication of opinion polls in banned. The outcome is likely to be determined by the performance of Mr Chung Ju-yung, founder of the Hyundai business group, who is attracting votes mainly from the DLP.

The campaign's last days have had the atmosphere of a thriller, with talk of secret corporate funds, North Korean spies, electronic eavesdropping and "black" propaganda.

In other respects, the election has shown that democracy is taking root five years after the downfall of military dictatorship. Gone are the tear gas attacks that marred rallies in the 1987 election.

Political analysts believe mud-slinging was inevitable since personalities, rather than issues, dominate Korean politics. There is little to distinguish the centrist policies of the main contenders.

Although turnout is expected to exceed 80 per cent of the 29m registered voters, crowds at election rallies are smaller than in 1987 when Koreans wanted to show support for their new political freedoms.

The faltering economy and a lacklustre campaign threatened to erode the lead of Mr Kim Young-sam, who has been the frontrunner all year long. When opinion surveys showed his support to be weakening, he went on the offensive accusing Mr Chung of trying to "buy" the election by illegally employing the financial resources and manpower of the Hyundai industrial empire, Korea's largest. This coincided with a police investigation of Hyundai's role in the election.

Mr Kim Young-sam has focused on the weaknesses of his opponents.

Although Koreans admire Mr Chung for building up Hyundai many also fear that the *chaebol*, the country's family-run conglomerates such as Hyundai, will come to dominate politics as the military once did.

Public distrust of Mr Kim Dae-jung is based on his long association with the trade union and dissident movements and his geographical origins. He comes from the south-western Cholla region, the most underdeveloped and rebellious part of the country.

Mr Kim Young-sam may find his tactics could backfire. His own weakness lies in the public perception that he is a political opportunist after he left the opposition and joined the ruling party in 1990, with the promise that he would become its presidential candidate.The DLP candidate's attacks against Mr Chung and Hyundai have been alleged to be part of a biased government effort to focus attention on illegal election practices of the opposition candidates.

Mr Kim Young-sam was thrown on the defensive this week when Mr Chung's party revealed it had a tape recording of a secret meeting among local government officials in Pusan discussing means to help the DLP candidate.

The meeting in Pusan appeared to prove that the government was interfering in the election on his behalf. The disclosure led to the forced resignation of the Pusan mayor and other officials and may represent a serious setback for Mr Kim Young-sam.

Popular movement urged to meet the needs of children

By David Dodwell in Geneva

THE United Nations Children's Fund yesterday called for a worldwide popular movement – "the basic needs movement" – to raise $25bn (£16.4bn) a year to meet children's needs for food, clean water and basic health care.

Reaching this target would lower birth rates, and save the lives of more than 4m children a year, Unicef said in its annual "State of the World's Children" report. This would create a breakthrough against "the last great obscenity – the needless malnutrition, disease, and illiteracy that still casts a shadow over the lives, and the futures of the poorest quarter of the world's children".

"The time has come to banish in shame the notion that the world cannot afford to meet the most obvious and basic needs of all its children," said Mr James Grant, executive director of Unicef, pointing out that $25bn amounted to less than Europeans spend on wine each year, Americans on beer, and Japanese on business entertaining. This contrasts with about $750bn spent every year on the military. He added that progress depends not just on cash, but on sustained commitment and managerial competence by governments.

"It is an unacceptable disgrace to humanity for millions of children to be dying every year from diseases that can demonstrably be prevented and treated at almost negligible cost," the report says.

Unicef calls for two thirds of the $25bn needed to come from developing countries themselves. This could be achieved if governments spent 20 per cent of their budgets on basics such as food, water, sanitation, health care and family planning, the report says. It complains that at present, more is spent on the military, and on debt servicing than on health and education.

'The time has come to banish in shame the notion that the world cannot afford to meet the most obvious and basic needs of all its children'

The rest could be met out of aid funds if donor countries raised to 20 per cent the proportion of aid devoted to basic needs. At present, less than 10 per cent of the total $40bn provided as bilateral aid every year is targeted in this way.

"The problem today is not that overcoming the worst aspects of world poverty is too vast or too expensive a task: it is that it has not been seriously tried," the report says. It says that a combination of new technologies, falling costs, and community-based strategies, is making it possible today to tackle aspects of poverty that historically have been the most stubborn – such as nutrition, clean water and basic education. For example, providing clean water in Africa today costs about $20 per person per year, half the cost of just six years ago.

Unicef calls for a worldwide popular movement because of concern that the threat to children is a "silent emergency" that passes unnoticed alongside more dramatic crises such as those in Somalia or Yugoslavia: "No famine, no flood, no earthquake, no war, has ever claimed the lives of 250,000 children in a single week," said Mr Grant: "Yet malnutrition and diseases claim that number of child victims every week."

The report points out that 60 per cent of the 13m child deaths every year are caused by three diseases – pneumonia, diarrhoea and measles – all of which can be treated at low cost. Treatment for vitamin A deficiency, which can cause blindness and early death, can be controlled at a cost of about 10 cents per child per year, while iodine deficiency, which causes mental retardation, could be eliminated at a total cost of $100m.

It is nevertheless encouraged by shifts away from military government, singling out Ethiopia, where military spending fell last year from 60 per cent to 30 per cent of the total spending, with health and education spending rising from 12 per cent to 20 per cent.

A final critical concern is the "financial famine" facing developing countries because of high levels of debt, low inward investment, and limited access to export markets. Developing country debt now totals $1,300bn, the report says, with capital and interest charges of $143bn falling due each year – three times the total of aid received from all sources.

State of the World's Children. Unicef, Unicef House, 3 UN Plaza, New York NY 10017 or Oxford University Press, Walton Street, Oxford OX2 6DP.

A generation of young Africans is wasted by lack of resources

By Michael Holman in Nairobi

THEY HAVE little in common except their fate.

Young pickpockets in Nairobi, street urchins in Luanda, teenage bandits in Mogadishu, Aids orphans in Kampala, child prostitutes in Kinshasa, young "comrade" fighters in Soweto: they are part of Africa's wasted generation, doomed to poverty, never to realise their potential.

Disease and deprivation are killing or crippling millions of Africa's children. Compassion alone demands a response, but *Africa's planners point to a* further imperative.

The scale of the toll is so great that it is imperilling the continent's capacity to manage its development in the decades to come.

"Today's generation of African children will be largely consigned to lives of poor health, and arrested growth... the hopes of the continent will be frustrated well into the next century," warns a Unicef report.

"Unless urgent action is taken... the human foundation for Africa's progress in the 21st century will not exist," it says.

The odds are heavily stacked against you if you are born on a continent that has seen a decade of decline.

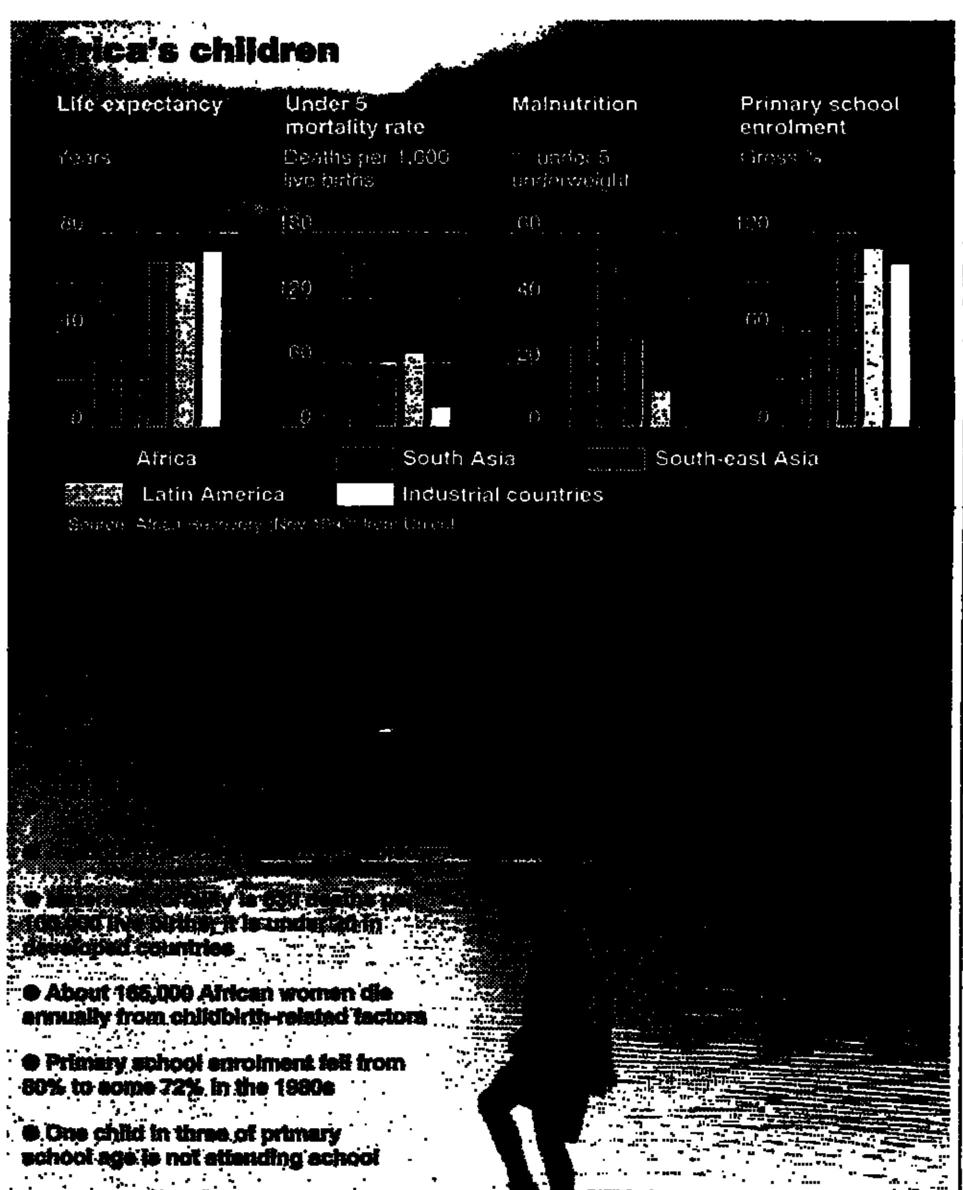
Nearly 5m under-fives die each year, usually of readily preventable diseases, estimates the Unicef study, presented at a conference in Senegal last month, co-sponsored by the Organisation of African Unity.

If you survive these hazardous years, you then have a one in three chance of completing primary school.

And as you enter maturity you will run a gamut of risks ranging from exposure to Aids to becoming a teenage conscript in a rag-army.

"The point has now been reached where not only the past progress but the present survival, protection and future physical and mental development of Africa's children are directly threatened by a critical scarcity of resources."

Around $12.7bn (£8.3bn) will be needed each year for the rest of the decade, Unicef calculates, if basic targets in health, education, water supplies and sanitation are to be met, Unicef calculates.



Raising the funds requires a combination of reallocation of existing aid flows by donors, external debt relief, domestic measures including tax reforms and user charges, the report suggests.

Only Norway currently channels 20 per cent of its bilateral aid to social priorities. If all industrialised countries did the same, funds for this sector would rise from around $1.2bn to $3.5bn.

"The tragedy is that for Africa, the 21st century is getting off on the wrong foot," the report warns, ending with a plea: "The abandonment of hopes for the continent would mean the writing off of the talents, aspirations and potential of one eighth of mankind, both now and far into the next century."

Africa's Children, Africa's Future. Unicef, 3 UN Plaza H-12G, New York, NY 10017.

Japanese party plans tax changes

By Robert Thomson in Tokyo

JAPAN'S ruling Liberal Democratic party yesterday revived tax incentives for house purchases in an attempt to stimulate the property market and lifted the tax-exempt threshold on the savings accounts of elderly people.

The tax proposals were part of a much-debated package of reforms drafted by the party's tax system research council and approved yesterday by its executive council, which had an eye on an election scheduled for next year.

Japanese business organisations generally condemned the proposals, having pressed unsuccessfully for income tax cuts to stimulate the economy. The Finance Ministry had opposed the income tax cuts, arguing that the economic downturn has seriously slowed the flow of tax revenues.

Mr Masaru Hayami, chairman of the Japan Association of Corporate Executives, said his organisation would continue to push for income tax cuts and an increase in value added tax, now 3 per cent, to compensate for those cuts.

But Mr Gaishi Hiraiwa, chairman of the Keidanren federation of economic organisations, praised the proposed reintroduction of tax breaks on the sale and repurchase of housing. He said the measure would help ordinary Japanese trying to upgrade their home.

The housing tax break, curtailed in 1988, is designed to stimulate the property market but discourage the rampant speculation of the late 1980s. Tax exemptions will apply to owners who have lived in their houses for over 10 years and be limited to transactions of Y100m (£530,000) or less.

With votes in mind, the party decided against increases to alcohol and tobacco taxes, and lifted the tax exempt amount of bank and postal savings accounts for the elderly and the disabled from Y3m to Y3.5m.

Beijing welcomes Yeltsin

By Yvonne Preston in Beijing

RUSSIAN President Boris Yeltsin, vilified a year ago as a traitor to communism by China's leaders, was warmly greeted in Beijing yesterday by Chinese President Yang Shangkun and accorded a 21-gun salute.

The Russian leader told reporters it would be abnormal for two great nations sharing a 4,000km border not to develop co-operation. He said the two sides must make "every effort to develop mutually beneficial trade and friendly co-operation."

Mr Mikhail Gorbachev, the then Soviet leader, visited China in May 1989 in a trip overshadowed by the doomed student democracy movement which took over the streets and hailed him as a hero.

The Chinese economy is booming under tight political controls while Russia's attempts at free market reform have so far failed to bring the measure of economic prosperity and double digit growth apparent along China's east coast. Barter trade along the border grew 20 per cent this year.

Almost 20 documents are due to be signed during the visit. They include a joint declaration on the basic principles of Russian-Chinese relations and agreements on co-operation in trade and in the economic, scientific, technical, nuclear energy and cultural fields.

Taiwan's KMT set to win poll - but it could be hollow victory

Expedient judgments are at core of support for a dissent-ridden party that for 40 years has had it all its own way, writes **Simon Davies**

WHEN Taiwan votes tomorrow in the most significant election of its 43-year history, the result will already be certain.

But it could be a hollow victory for President Lee Teng-hui's ruling Kuomintang party, as the election campaign shows growing dissension and alleged corruption within his once authoritarian party.

The KMT has almost two official candidates for each of the 161 seats in the parliament but these have been joined by 43 maverick KMT representatives who are running without its official endorsement and are distorting the official party line.

Even among the official candidates, there is such a broad spectrum of forceful opinion that the KMT begins to resemble a loose alliance of vested interests, united only in their desire to retain the patronage of a powerful corporate and political empire.

This will make for more tempestuous government. President Lee should emerge from the elections with core control of a ruling party which more fully reflects the views of the Taiwanese people; but he will have to be prepared to make concessions to pass its programme of economic and political reforms.

It is only the second time the entire parliament – which approves legislation and the make-up of the cabinet – has been elected.

The first was in 1949, and it was only last year that the vestiges of its "old thieves" – the surviving octogenarians who had rubber-stamped government legislation for 40 years – were at last removed.

Convoys of colourful vans fill the streets, voicing the slogans of the two main parties, the KMT and the opposition Democratic Progressive Party, along with an assortment of independents ranging from a recently-jailed business tycoon to a woman who bares her breasts for democracy.

A further incentive will come in the NT$10bn (£250m) *that is expected to come out of* the banking system to reimburse many of the 10m voters who turn out on Saturday. Corruption will be a key factor.

One senior businessman said: "Some politicians are spending NT$500m on buying their candidacy." There have been 96 investigations into vote-buying.

The KMT has the support of notable "golden oxen" – rich businessmen who are keen to exert political influence – to add to the earnings from its corporate empire; this gives it a massive advantage. In addition, it holds key cards, such as ownership of television stations and newspapers.

But the DPP is still expected to pick up more than 30 per cent of the vote, while indepen*dent candidates could win* another 15 per cent. This should put across a clear message to Mr Lee: the public is tiring of money politics.

Mr Ting Tin-yu, chief consultant to Gallup in Taiwan, said: "The phenomenon of this election is that there will be a lot of angry voters. I think the whole KMT will suffer from this, and their vote will fall below 60 per cent".

This is 10 per cent below the KMT's rating at last year's elections for the national assembly, which amends the constitution and chooses the president.

The KMT was aided last year by the DPP's call for Taiwan's independence from mainland China, which proved unpopular. A hotel worker said: "If the *KMT win the election*, the mainland Chinese will not be angry. If the DPP win the election, I think the mainland will invade."

The DPP has toned down its rhetoric with its new slogan "One China, One Taiwan". It is scarcely a retraction, but a recent poll found more than 40 per cent of respondents did not believe it meant independence. The DPP also gains strength from the fact that it has not put forward enough candidates to control the government, but will only be able to impose checks and balances on the KMT.

This is important, since they still lack credibility. Policies such as lowering taxes but introducing a welfare state have unnerved economists and *the party retains its image of* being warlike.

Legislative brawls have become less frequent than they were, but several DPP candidates were arrested last week, one of whom allegedly tried to break into the local KMT headquarters with a tank of gasoline and two torches.

Probably of greater concern to President Lee, however, is the opposition coming from within his own party. At the liberal end of the KMT spectrum, there are legislators with views identical to those of the DPP. At the conservative end there remains the shadow of the mainland.

Chiang Kai-shek's nationalists and their direct descendants account for only 15 per cent of the population, but *since they arrived on the* island in 1949, they have controlled its politics.

So far, they have partly withstood a backlash from the native Taiwanese. Mr Lee's "mainstream" faction (which is more reformist and pro-business) is now primarily Taiwanese-born; with enough support from the electorate, it is keen to purge the cabinet of many of its controlling mainlanders.

But the mainlanders will remain a powerful force. Two former cabinet members, Mr Jaw Shao-kang and Mr Wang Chien-hsien, put themselves forward as unofficial KMT candidates, and have run a successful campaign on an anti-corruption banner.

They appear certain to be elected and to be a source of *dissent in President Lee's par*liament. He will therefore have to proceed with caution in implementing his reform programme, and also in any changes in policy towards China.

Former BP chief to join British Rail board

By Richard Tomkins, Transport Correspondent

THE government yesterday moved to shake up the board of British Rail in the run-up to privatisation by appointing Mr Robert Horton, one of Britain's most forceful business executives, as its non-executive vice-chairman.

Mr Horton, 53, is the former chairman and chief executive of British Petroleum. He was ousted in a boardroom coup last June after his abrasive management style had caused friction with fellow directors.

The Department of Transport said Mr Horton would take a particular interest in Railtrack, the state-owned body which is due to take responsibility for BR's track infrastructure under the privatisation proposals.

The implication is that he has been appointed to set up and head Railtrack, using his private sector skills to develop it as a market-responsive organisation rather than an inefficient bureaucracy.

Such a move will go some way towards countering fears among would-be private sector train operators that Railtrack's charges will be too high to enable them to offer a competitive service.

Mr Horton's appointment may be greeted with trepidation within BR, where staff will fear the consequences of his management style on working practices and jobs. BR said yesterday: "It is not appropriate for us to comment: appointments are made by the department."

Mr Horton, whose appointment takes effect from January 1, will work two days a week at his new job. Based on the present going rate of £7,000 a half-day for existing part-time board members, he will collect £28,000 a year.

Two other part-time members have been appointed to work half a day a week on the board. They are Mr Archibald Norman, chief executive of Asda, the stores group; and Ms Jennifer Page, chief executive of English Heritage.

Top research confined to few universities

By Andrew Adonis

MOST top-quality research is concentrated in barely a dozen of Britain's universities, according to assessments by the Universities Funding Council published yesterday.

The assessments, which rank every university research centre in the country, show that fewer than 50 of Britain's 130 universities, colleges and university institutes have two or more centres judged to be conducting research of international standing.

Of the 344 centres judged to be at that level, almost a third are located in just four institutions: Cambridge University, Oxford University, University College, London and Imperial College, London.

Former polytechnics scored poorly in the exercise, which they have entered for the first time since joining the university sector. Given their lack of research funding, and their status as teaching institutions, this caused little surprise.

But a number of "old" universities are in the same position – five, including Aston and Bangor, have no department of international standing, and another eight, including Salford, Aberdeen and Dundee, have only one.

The UFC assessments, the first since 1989, are crucial to universities, as they are used by the council to allocate research funding, worth £860m in 1990.

Each university research centre is ranked on a one-to-five scale. Next year's research funding will be linked to the rankings, with funding concentrated on departments achieving the higher four rankings, and proportionately on the higher rankings within them.

The UFC said its survey was based on "rigorous" assessment of the output of more than 43,000 academics by 450 of their colleagues plus some outside assessors.

Prof Graeme Davies, chief executive of the UFC, said: "The ratings have been decided by academic staff and others who are all experts in their subjects. The judgments are theirs; the role of the UFC was to manage the exercise and ensure it was conducted fairly and consistently according to clear guidelines."

The Committee of Vice-Chancellors and Principals welcomed the evidence that "old" universities had improved research quality since a similar exercise in 1989.

Dr David Harrison, the committee chairman, said that against the backdrop of escalating student numbers it represented "a remarkable tribute to our dedicated and underpaid staff".

The assessment shows research to be unevenly distributed. In history, 82 centres were assessed, of which only five were judged to be of international standing. In anatomy, 18 centres yielded four of international standing.

Institutions were invited to submit up to two publications and up to two other forms of public output for each "active" staff member. The panels of assessors also took into account research grant and contract income, total numbers of publications and numbers of research students.

LABOUR PARTY POLICY

Smith appears to pre-empt review

By Ralph Atkins

MR JOHN Smith, leader of the Labour opposition, yesterday said he opposed moving away from universally-available social security benefits – apparently pre-empting the impact on party policy of the independent Commission on Social Justice he was launching.

Mr Smith said the 16-member commission would carry out the most sweeping review of employment, tax, benefits and "the social condition of our nation" since the Beveridge report on state welfare 50 years ago.

Labour would "gain enormously" from the ideas the commission recommends, he said.

He would welcome a "fresh examination" of Labour's support for mortgage interest tax relief, although he did not suggest its policy would change.

But Mr Smith said there was, "a very strong case for having child benefit and the retirement pension as universal benefits".

His remarks jarred with past hints and indications from leading opposition MPs that the party would re-think completely tax and benefit policy – including extending benefit targetting.

Tax and the cost of Labour's spending proposals were regarded in April as having contributed to the party's fourth successive general election defeat.

The Commission on Social Justice, chaired by Sir Gordon Borrie, former director general of fair trading, is expected to report in 18 months. Mr Smith said it was, "akin to a Royal Commission".

The need for its work was as great as when Sir William Beveridge reported in 1942, Mr Smith said.

"In an increasingly competitive world, Britain cannot afford poverty. Neither can we afford such high levels of unemployment. . . We should no longer be thinking just in terms of providing a safety net, but of creating a springboard to independence, self-reliance and personal fulfilment."

At least one member – Mr David Marquand, professor of politics at Sheffield university – is a Liberal Democrat supporter. But the Liberal Democrat party said the commission would do little to help build a anti-Tory pact. "It moves an inch when the need is to move a mile," said an aide to Mr Paddy Ashdown, Liberal Democrat leader.

Thames traffic to be studied

By Richard Tomkins, Transport Correspondent

THE Department of Transport is to form a working group to explore ways of making more use of the Thames for carrying passenger and freight traffic in London, it was announced yesterday.

Mr Steven Norris, minister for transport in London, said: "The Thames is potentially one of London's greatest transport arteries and I believe we are not using it to anything like its full potential," he said.

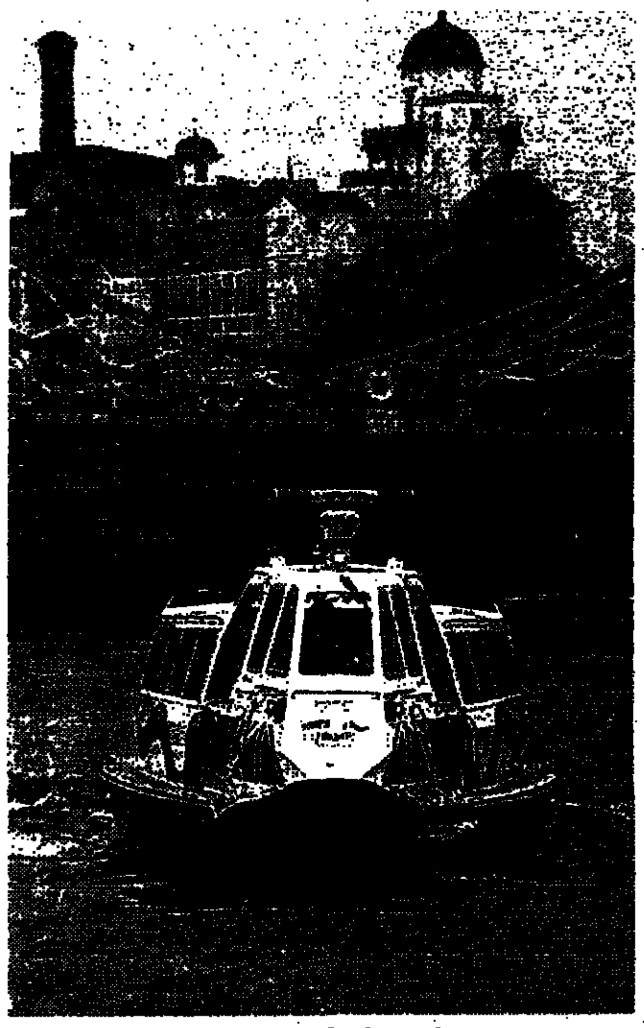
Mr Norris made the announcement shortly after launching the first of a planned fleet of 26 river taxis that will offer a Thames passenger service to rival the loss-making RiverBus operation.

The new service is to be run by a company called Thames Fast Ferries, a subsidiary of the Swindon-based White Horse property group.

Thames Fast Ferries said it also planned to launch a high-speed commuter operation between Tilbury-Gravesend and central London next year, using 120-seat craft.

Mr Norris said the purpose of the Thames working group would be to identify what obstacles prevented people from making more use of the river.

The working group, chaired by Mr Norris, will include representatives of London Transport, river users, local authorities and the river authorities.



Taxi service: a new Thames launch takes to the water

Britain in brief

Two in three cars destined for export

Two out of three cars produced in the UK last month were destined for export, the highest proportion in the industry's recent history by a considerable margin.

As late as 1989 exports were accounting for only around a quarter of the UK industry's total production.

UK new car sales remain very weak, depressing production for the domestic market. In unit terms, output for export rose by 22.16 per cent to 73,431 compared with 60,111 the previous year and over the first 11 months of this year accounted for 48 per cent of total car production.

At 535,088, however, it was 4.96 per cent down in volume terms on 1991's first 11 months.

Short-time working at Ford and Rover Group was largely responsible for last month's production destined for the UK market being down 23.2 per cent to 43,216 from the year-ago level of 56,265.

As a result, according to statistics from the Society of Motor Manufacturers and Traders and Central Office of Information, total November car output was only 0.23 per cent above year-ago levels at 116,647.

Renewable energy costs

Electricity generated by most forms of renewable energy is several times more expensive than using conventional fuels, according to a long-awaited report commissioned by the Department of Trade and Industry.

But the report calls for government intervention to help renewables become established. It argues that current prices of coal, gas and nuclear energy do not reflect start-up and environmental costs.

The Renewable Energy Advisory Group argues that large offshore wave energy projects are unlikely to be uneconomic.

Export licences withheld

No licences for exports to Iran will be granted until January pending a review of the criteria used in assessing them, the Department of Trade and Industry said in a written parliamentary answer.

The DTI said the move reflect increased concern in the UK and US about the policies of the Iranian government but would not say if a specific incident or intelligence report had triggered the decision. Licences are needed for the exports to Iran of goods with possible military uses.

Summit costs

The Edinburgh summit last weekend cost £6.9m to organise and the policing costs are expected to amount to a further £2.5m, Mr John Major has told MPs.

UK furniture body formed

Britain's furniture manufacturers are to merge their trade organisations into one body from January 1.

British Furniture Manufacturers (BFM) will be an amalgam of three autonomous companies: BFM Exhibitions, an exhibition organiser, BFM Exports, which provides advice and assistance to exporters, and BFM Federation, a loose grouping of four pre-war regional trade associations.

Credit 'crunch'

Financial deregulation enabled domestic financial markets to catch up with international ones but also resulted in an accumulation of personal and corporate debt, which is causing a credit "crunch." Households and companies are saving more and borrowing less, making less use of financial markets, according to a book published yesterday.

New Players, New Rules, Financing the 1990s, by Christopher Johnson. Lafferty Publications, The Tower, IDA Centre, Pearse Street, Dublin 2, Ireland. £545.

Curbs on car imports from Japan to continue

By Kevin Done,
Motor Industry Correspondent

The UK will continue to restrict imports of cars direct from Japan at least until the end of 1994.

Earlier this year the government caused consternation in the UK motor industry, when it said it was examining the possibility of completely liberalising the UK new car market to Japanese imports from the end of this year.

A voluntary export restraint (VER) or gentleman's agreement has existed since 1975 and has effectively limited the share of Japanese imported cars to no more than 11 per cent of the new car market.

This restraint must be withdrawn from the end of 1992, however, with the start of the single market in Europe.

Last year the European Commission reached an agreement with the Japanese government, which calls for continuing limits on direct imports of cars from Japan into the Community until the end of 1999.

The agreement assumes the UK, France, Italy, Portugal and Spain remain restricted markets until the end of the decade, and that Japan observes a voluntary restraint on the level of overall exports *to the EC during this period.*

The accord was threatened earlier this year by the government, however, following a report by the Monopolies and Mergers Commission on new car sales.

The MMC concluded that on competition grounds alone the restraint on Japanese imports should be removed.

The MMC also said the limit on Japanese car imports restricted choice. The restraint also encouraged the Japanese to import the more expensive and more highly specified models rather than smaller, cheaper vehicles on which there was less margin, it said.

Mr Michael Heseltine, President of the Board of Trade, said in the light of the "present economic circumstances" the UK would remain a restricted market initially until the end of 1994, when the question would be reviewed.

UK recovery undermined by jobless growth

By Peter Norman,
Economics Editor

BRITISH manufacturers yesterday reported a slight improvement in orders over the past month, but a bigger than expected increase in unemployment in November held out little hope of a speedy recovery from recession.

The Confederation of British Industry (CBI) monthly trends inquiry found manufacturers' order books were at their best levels for five months, although well below normal. Export orders also improved, suggesting the pound's decline since Black Wednesday might be feeding through into higher export demand.

However, the CBI poll of 1,383 companies between November 26 and December 11 indicated that output would fall in the next four months. Although the companies' output expectations were less gloomy than in November, the survey was the sixth monthly poll in a row in which more manufacturers forecast output decreases than increases.

The CBI report covered companies accounting for about half of UK manufactured exports and employment. It did *nothing to ease fears that* unemployment would continue to rise after increasing by a seasonally adjusted 41,100 to 2.91m, or 10.3 per cent of the UK workforce, between October and November.

The increase in the number of benefit claimants seeking jobs was more than the 35,000 expected by City analysts and higher than the average monthly increase over the past six months.

The Unemployment Unit, an independent group campaigning for full employment, forecast that the official jobless total would reach 3m by February next year and peak at 3.2m by the early summer of 1994.

The latest government figures, meanwhile, indicated that the unemployment data have not captured the full extent of job losses over the past year.

While seasonally adjusted unemployment increased by 391,000 in the 12 months to November, Department of Employment figures showed that the UK workforce in employment fell by 861,000 over the four quarters to the end of September.

The CBI's industrial trends inquiry provided only tentative evidence of that recovery. Its survey showed that 26 per cent of companies polled expected output to decline over the next *four months compared with 19* per cent expecting a rise and 55 per cent expecting output to stay unchanged.

Industrial productivity rises as labour force cut

PRODUCTIVITY in UK manufacturing industry increased sharply in October, reflecting a small increase in output and a big drop in the labour force during the month, writes Peter Norman.

The Department of Employment said manufacturing output per head in October was 5.9 per cent higher than in the same month of last year.

In the three months to October, productivity was 1.9 per cent higher than in the three months ending July and 5.2 per cent higher than in the August to October period of 1991. The productivity increase combined with relatively moderate wage increases to hold down unit labour costs. Wages and salaries per unit of production in UK manufacturing industries rose by 0.4 per cent in October compared with October 1991.

The increase in the three months to the end of October was 1 per cent compared with a year ago. However, official figures yesterday showed no further decline in the rate of increase in average weekly earnings during October.

Minister discounts claims that 3,000 jobs are threatened by government's prize draw

Pools operators criticise state lottery plan

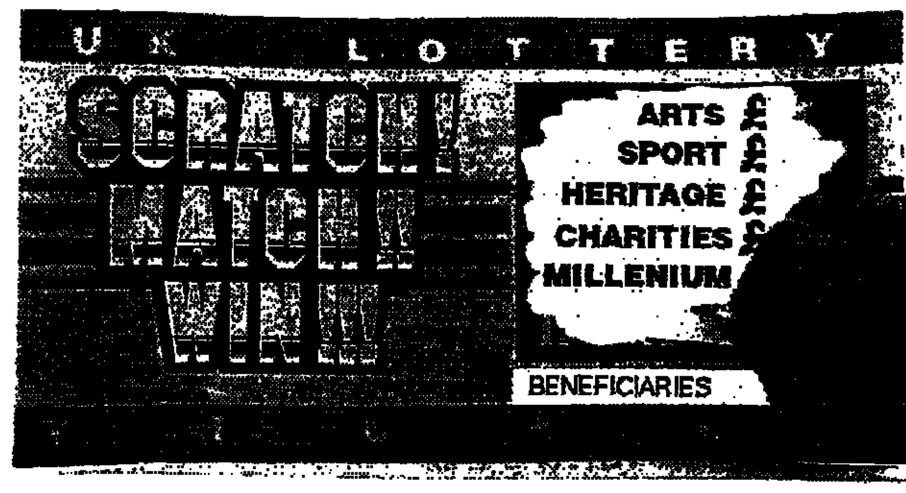
By Raymond Snoddy

OPERATORS of Britain's football pools, the prize draw based on soccer results, warned yesterday up to 3,000 jobs could be lost in their industry as a result of the government's plans for a national lottery starting in 1994 with £1 tickets and a top prize of at least £1m a week.

The games will range from scratch cards with instant prizes to weekly draws.

The National Lottery Bill published yesterday contained no concessions for pools operators employing 6,500 people, mainly on Merseyside, north west England.

Peter Brooke yesterday: he expects lottery to 'create jobs'



Mr Malcolm Hughes, managing director of Vernons Pools, said two of the three main pools operators – Vernons and Zetters – could collapse unless the industry was allowed to "compete on level terms with the lottery". Operators of existing charity lotteries were also critical of the plan.

On an annual turnover of £1.5bn, Mr Peter Brooke, national heritage secretary, predicted prizes of about £14m a week. The money will go equally to five causes - the arts, heritage, sport, charities and a new fund to celebrate the millennium.

The lottery "will create jobs and generate new work for existing businesses", Mr Brooke said. "It opens up a wealth of exciting new opportunities. It will create millionaires and museums".

A single licence will be awarded by tender to run the lottery although other companies can get sub-licences to run individual games which will be part of the national lottery.

Companies expected to bid for the lottery licences include Racal, Rank, Vernons, Bass, UK Charity Lotteries, Vernons, and consortia being put together by a number of merchant banks.

Mr Brooke rejected concessions for the pools industry, which has turnover of £853m a year and is dominated by Littlewoods. He said skill was a factor when filling in pools coupons whereas lotteries were games of pure chance.

Mr Hughes of Vernons claimed this was "absolute nonsense", saying most people used birthdays and any other numbers they could think of.

The pools companies want the right to advertise on television, collect contributions legally through retail outlets, roll over prizes from one week to the next if there is no outright winner and pay the same rate of tax as the national lottery. The pools companies pay a total of 47.5 per cent of turnover on tax and donations to sport and the arts.

More than 100 MPs have already signed a Commons motion supporting the pools operators' case and Mr Brooke promised yesterday that "dialogue will continue".

Mr Frank Flannery, managing director of UK Charity Lotteries, a lottery manager, said charity lotteries were currently worth about £260m a year. "There is a grave danger that this will be completely wiped out," he said.

The Lottery Promotion Company, a non-profit organisation which wants a lottery to benefit the environment as well as sport and the arts, generally welcomed the bill but said it should be run by a charitable foundation which would not pay tax.

German tool makers strengthen UK presence

By Andrew Baxter

GERMAN machine tool makers are poised to make further inroads into the depressed UK market following the creation of a global alliance between Traub and Maho, two of Germany's biggest producers.

The announcement last week that the two companies are to merge their sales forces worldwide is likely to put further *pressure on UK machine tool producers.*

The deal, under discussion throughout this year, comes less than two months after Gildemeister and Deckel, two other big German producers, announced they were forming a worldwide joint venture to market their products.

Both deals take effect on January 1. Maho and Deckel, meanwhile, are discussing manufacturing co-operation.

Germany was the biggest exporter of machine tools to the UK last year, with sales of £149.1m out of total imports of £451.2m.

This compares with total UK machine tool consumption last year of £773.2m.

The sales tie-ups means that four of the biggest German producers are now grouped into two powerful combines, each offering a broader range of machine tools to customers.

"It's got to increase our share of the UK market," said Mr Paul Maynard, Traub's UK managing director, who will become UK managing director of the two companies. Maho, in particular, would get a substantially increased direct sales force.

The two new groupings will be big competitors for each other, and for Japanese companies such as Yamazaki and Mori Seiki.

Major seeks US backing for sanctions on Serbia

By Philip Stephens,
Political Editor

NEW MEASURES to tighten sanctions against Serbia in response to the deteriorating situation in Bosnia are expected to be finalised this weekend at talks between Mr John Major and outgoing US president George Bush.

British officials said the two leaders, who meet in the US at the end of a week of international meetings on Bosnia, may also settle the terms of the new UN resolution designed to enforce the no-fly zone over the former Yugoslav province.

Mr Major remains more cautious than his US counterpart about military action against Serbian aircraft violating the zone. Ministers repeated yesterday their concerns that such action would risk retaliation against British ground forces and could wreck the humanitarian effort.

The officials said a compromise was emerging between London and Washington on a package combining tougher sanctions and a new UN resolution. They pointed out that the passage of such a resolution, expected next week, would not automatically imply that intruding aircraft would be shot down.

Mr Douglas Hurd, the foreign secretary, suggested Serbia be treated as an international pariah, with existing sanctions supplemented by cuts in telephone links and diplomatic contacts.

Mr Major will spend two days with Mr Bush in Camp David at the weekend after an EC-US summit in Washington on Friday. The prime minister will be accompanied at the summit by Mr Jacques Delors, the European Commission president, who will also join him later today for an EC-Canada summit in Ottawa.

Both of the EC meetings will be dominated by the slow progress of the Gatt talks in Geneva, where last month's breakthrough on US-EC farm trade has failed to unravel all the disputes holding up completion of the Uruguay Round.

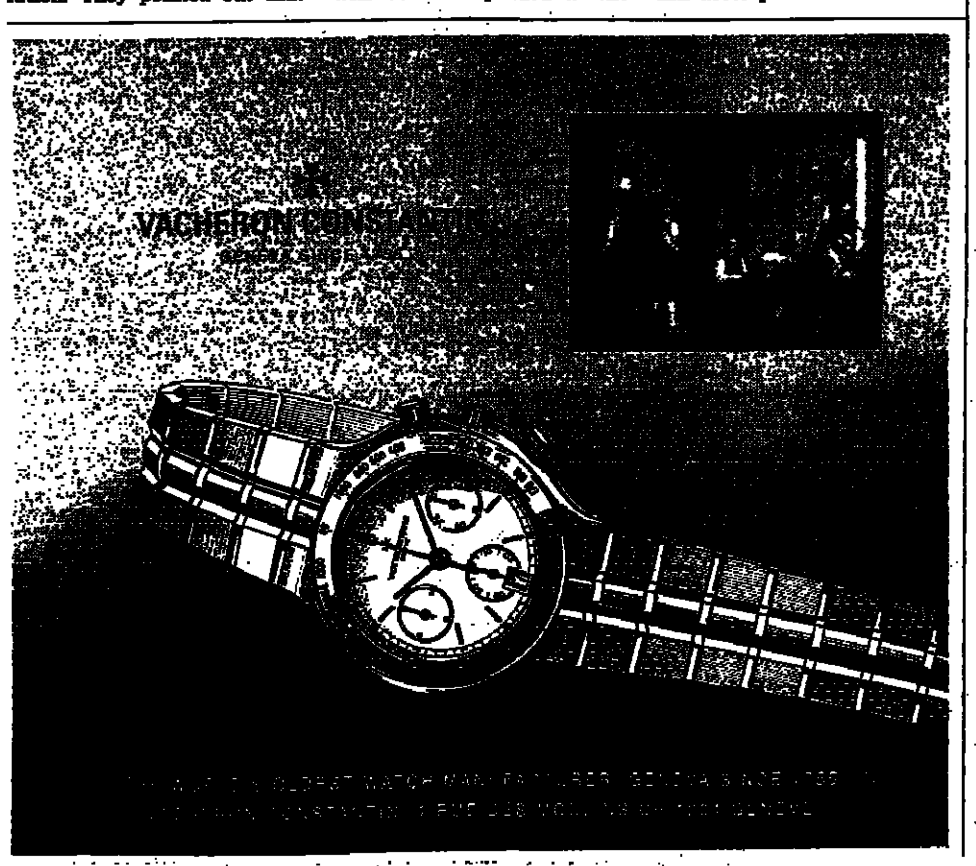
Mr Major will press the outgoing administration to review its decision to impose countervailing duties on EC steel imports. He will also sound out the possibility of a compromise on the disputes over industrial tariffs that are holding up progress in Geneva.

● Baroness Thatcher, the former prime minister, has called for air strikes against Serbian artillery, tanks and supply lines if they do not withdraw their troops from Sarajevo and other besieged Bosnian towns.

The former prime minister said in The European newspaper that by stating in public repeatedly that "we will not intervene militarily", the west had to some extent been "more like accomplices".

Britain has refused to admit almost a third of the refugees from former Yugoslavia who have applied for UK visas in recent weeks, the Foreign Office said yesterday.

The announcement came as Mr Kenneth Clarke, Home Secretary, told MPs that passports will still be needed for travel between Britain and other EC countries after January 1 1993, despite the removal of European trade barriers. The only exception will be travelling to and from the Irish Republic.



JOBS: Where expatriate workers' religious convictions can increase their employers' paybills

Putting your money where your faith is

"IT all began with the New Testament..." explained the patient voice from the German Embassy in London. "You mean when the decree went out from Caesar Augustus that all the world should be taxed?" the Jobs column inquired.

"Well, not precisely at that moment," the un-named diplomat conceded. "But as a consequence of it, yes."

Now, with today bringing this column's last appearance of the year, it is probably futile to assure readers that the above conversation really occurred, as distinct from being invented to give a Christmassy flavour. Even so, the fact is that what prompted the call to the German embassy was only accidentally connected with the season.

It just so happened that Price Waterhouse was showing off its new system for calculating the costs of sending employees to work overseas. And one of the PW consultants came up with an example. "Suppose you moved someone on a £60,000 salary in Britain to Germany for three years with a guarantee that they'd be no worse off through taxation and so on," he said. "What d'you think would be the total outlay?"

Then quick as a flash the computer produced the answers. They were that, whereas before Black Wednesday the prospective bill would have been almost £391,000, it is now over £475,000.

"Mind you," the consultant went on, "the cost could be more if the people you send don't know about local conditions. For instance, if they belong to certain religious denominations and say so on their registration forms, they'll be liable to the extra taxes the German government collects for the churches."

However familiar that fact may be to readers, it was news to me. My first thought was that perhaps the said taxes varied, with different religions coming to market at different prices. After all, I'd seen something of the sort before: at the start of my national service 40 years back in the navy, when the various chaplains came round in turn describing their schedules for Sunday morning.

The Roman Catholics and the Church of England each had pukka parades. While they were marching off to their respective services, agnostics and atheists were kept busy square-bashing. In the meantime the Methodists and Church of Scotland made their way informally to a short joint service with no sermon, followed by coffee made by the Wrens in attendance. (Whereupon, having not been brought up in any church, I became a Methodist – though I'm ashamed to say a since-lapsed one.)

Could it be, I mused coming back from PW's demonstration, that the Germans operate some comparable arrangement through the tax system? Hence the chat with the diplomat.

Alas he swiftly knocked down my idea about price-competition. The tax was at the same rate regardless of denomination, although in some of the country's states it was a percentage point less than in others.

"It is the successor to the church tithe of medieval times. But it is not on your total income, or at 10 per cent either. It is levied at 8 or 9 per cent of whatever sum you are assessed for by way of normal taxes. You do not pay unless you positively register yourself to do so."

In any case, he said, the option is open only to Roman Catholics, Jews and certain Protestants. "A church needs many members to make the scheme pay – as the government acts as collector for the churches, you don't think it loses on the deal, do you? And no one pretends that whether you pay counts in heaven; it is solely about money here on earth."

Nevertheless, he added, things can go wrong. After unification, for example, the scheme was not well explained to the former East Germans. "When they came to register, some who had clung to their faith wished to affirm it, and under the old regime it had anyway been unwise to leave blank spaces on official forms. So suddenly, of the little earnings they had, more was taken. But the government and churches apologised, and let them change things for the next half-year."

Which, *this being Christmas*, the Jobs column offers as an example to tax-collectors the wide world over.

FINALLY this year to pagan matters – my traditional guide to the cost of acquiring and trying to escape a hangover in 18 international centres. The figures are generously supplied by the Runzheimer consultancy, based in Rochester, Wisconsin.

The first three columns give the "on-cost", the local prices of a litre apiece of a particular (though undisclosed) brand of whisky and of vodka, followed by the average of both. The next four cover the "off-cost": 100 branded aspirin, three dozen Alka Seltzer (except in Tokyo where for some reason they don't seem to be sold) and half a pound of instant coffee – again averaged.

The right-hand column lumps the on-cost and off-cost averages together, giving the aggregate price – in money, at least.

And now, wishing you all the compliments of the season, I'll hope to meet you again in 1993.

Michael Dixon

THE PRICE OF SEASONAL OVER-INDULGENCE AROUND THE WORLD

City	1 litre Scotch £	1 litre Vodka £	*Average on-cost £*	100 Aspirin £	36 Alka Seltzer £	8oz Coffee £	*Average off-cost £*	Average full cost £
Tokyo	28.64	15.68	*22.16*	13.28	–	7.06	*10.17*	32.33
Copenhagen	31.59	22.11	*26.85*	5.08	3.03	6.83	*4.98*	31.83
Stockholm	31.14	24.21	*27.68*	4.38	2.75	5.05	*4.06*	31.74
Singapore	27.73	22.79	*25.26*	3.93	3.49	6.03	*4.48*	29.74
Vienna	19.24	12.22	*15.73*	6.39	5.77	5.55	*5.90*	21.63
Cairo	19.46	15.57	*17.52*	0.94	0.87	4.83	*2.21*	19.73
Hong Kong	15.69	13.60	*14.65*	5.79	3.43	3.14	*4.12*	18.77
London	15.60	13.60	*14.60*	5.62	3.02	2.95	*3.86*	18.46
Frankfurt	14.08	8.01	*11.05*	8.25	7.51	6.38	*7.38*	18.43
Amsterdam	14.08	11.34	*12.71*	8.86	4.13	4.02	*5.67*	18.38
Brussels	15.11	11.41	*13.26*	4.40	3.83	4.41	*4.21*	17.47
Paris	13.31	10.38	*11.85*	6.24	4.47	5.20	*5.30*	17.15
Sydney	12.29	14.82	*13.56*	3.03	4.49	2.76	*3.43*	16.99
New York	14.96	8.34	*11.65*	5.73	2.52	3.05	*3.77*	15.42
Milan	9.66	6.22	*7.94*	9.21	4.81	7.19	*7.07*	15.01
Toronto	12.72	10.56	*11.64*	3.06	2.34	2.86	*2.75*	14.39
Madrid	10.61	6.20	*8.41*	6.57	4.73	3.68	*4.99*	13.40
Moscow	8.48	5.32	*6.90*	4.29	3.06	5.74	*4.37*	11.27

ACCOUNTANCY COLUMN

Where charity does not begin or end at home

Andrew Jack on the growing links between the accountancy world and voluntary organisations

THE ARCHAIC practices of the livery companies of the City of London may seem far removed from the deprivation of the boroughs just a little further east, but a new scheme has been forging some powerful links between these two worlds.

Chartered Accountants in the Community, launched by the Worshipful Company of Chartered Accountants in England and Wales at the start of the year, has placed senior accountants onto the management committees of charities around the country, including a number in London.

As thoughts turn to charity at Christmas, other accountancy firms, organisations and individual professionals might do well to copy its lead in providing constructive help to organisations beyond their own workplace or normal client base.

Bringing together accountants with local charities has not been entirely straightforward. Mr Alma Munson, chief accountant for the life division of Guardian Royal Exchange, was not quite sure what to expect earlier this year when he joined the board of Hackney Youth Workforce, which provides training and work experience for unemployed people with special needs.

"It's no good standing on your high horse," he says. "Some people might think it's all rather left-wing, having to call the chairman 'chair'. The people are not financially oriented, and don't see it as a business. It's another part of the world."

Mr Graham Finegold, manager of the organisation, also had his doubts. "I was very worried how the staff would react when this City gent walked through the door in his three-piece suit," he said.

But Munson showed tact and a willingness to learn about the organisation which has gradually earned him respect. He has helped provide financial advice, including co-ordinating the introduction of a computerised accounting system, and in persuading the charity to transfer money from a current account to one paying interest. He has also advised on changing the management structure, by reducing the length of the one unwieldy monthly committee meeting which lasted from 6-11pm, and creating instead a series of specialist sub-committees to help spread the work.

"Alma had very real, identifiable skills at a time when we needed them," says Finegold. "We are trying to buy a property and need to raise £500,000. It is useful to be able to talk to someone who is dealing with that kind of money every day."

The same pattern emerged when Mr Bill Packer, retired national tax director with Touche Ross, linked up with Tower Hamlets Co-operative Development Agency, which provides advice and support to business start-ups.

"I went in with a little apprehension, not quite knowing what I was going to meet," he says. "But they made me welcome. I feel I've been able to make a contribution to this community."

He helped introduce a regular staff appraisal system, and says he has "brought them to address financial problems rather earlier than they might have done before – when the crisis hit".

Mr Gregory Cohn, co-ordinator of the agency, says: "None of the three professional staff has much financial experience, so it was useful to have someone on the management committee who can discuss finance and act as a support mechanism. Just having someone from outside is constructive."

The original idea for the chartered accountants in the community scheme came from the Action Resource Centre, based in London, which helped launch a similar programme called lawyers in the community about two years ago. ARC matches a large number of potential volunteers each year with charities in need of secondees or other assistance.

> **'I was very worried how the staff would react when this City gent walked through the door *in his three-piece suit*'**

Mr Richard Wilkes, immediate past master of the worshipful company, concedes that the idea of the livery body may seem arcane. But he places importance on its role as an organisation with charitable objectives.

It was only founded in 1976, and now numbers 100 members, including Sir Brian Jenkins, last year's Lord Mayor of London. "We do not have a large endowment," says Wilkes. "Instead of money, we've got talent."

Previously it had donated money to help support training overseas and reward achievement in student examinations in England and Wales. Wilkes says the chartered accountants in the community scheme seemed an ideal way to apply the company's members' own skills more directly.

While the lawyers in the community placements tend to be focused in London and use younger staff from law firms, the accountants scheme is designed to cover England and Wales, and uses what Wilkes calls "the mature chaps" from the livery. About 12 have so far been linked with charities and a number are waiting to be found suitable placements.

Mr David Shaw, almoner or the livery officer responsible for charitable giving, stresses that the scheme is also focused around offering professional, advisory skills, not providing time-consuming day-to-day activities such as doing the bookkeeping.

Some initial delays came less in finding volunteers than identifying suitable placements for them. Now the plan is to expand the scheme until it offers 20 to 30 attachments a year. It will also then be widened beyond the livery company to include other chartered accountants, through the firms and the district societies.

Mr David Hemsworth of the Action Resource Centre stresses a number of ground rules for successful placements. He emphasises that the benefits are two-way, with the charity gaining expert assistance, and the accountant learning about voluntary organisations and giving something back to the community.

"Accountants should not go in with pre-conceived ideas thinking it is just about parachuting people in with a bag of solutions," he says. "There is learning to be done. Most voluntary organisations are well run but have a rather different ethos."

On the other hand, charities need to take time on the induction of new committee members. They should not simply use them to provide narrow technical skills, but rather think of the process as a transfer of expertise so the contribution lasts after any individual's commitment.

Graham Finegold adds that charities should be honest about the commitment expected from a committee member and be flexible to accommodate their availability.

The idea of charitable work by accountants is not a monopoly held by the livery company, of course. The Chartered Institute of Management Accountants offers a charity helpline (071-917-9204) to link up local charities with willing, trained volunteers. Many business and firms are beginning to offer their staff on secondments, as well as offering resources or donating money directly.

Few of the accountancy firms are so eager to offer on-going professional advice free to charities, which are increasingly offer substantial prospects for paid work. Mr George Westropp of Touche Ross says that pro bono work tends not to attract the best staff: "If you want something to be badly done, you do it for free."

Nevertheless, Mr Pesh Framjee, head of the charity unit at BDO Binder Hamlyn, says that he actively encourages his staff to serve on management committees in their spare time. That helps them learn about voluntary organisations from the inside, and gives them skills which can be applied to other clients of the firm. Volunteerism can clearly make sound economic sense.

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If you have the talent and drive to tackle this challenging role please phone 081 870 2241 ext.316 or write to the Personnel Officer, South Thames College, Wandsworth High Street, London SW18 2PP. The closing date for applications is 22nd December.

Wandsworth

Business Representation in the United Kingdom

Atwood Richards, the oldest and largest corporate reciprocal barter trade company of its kind in North America and Europe, is seeking a sales and marketing company or person to manage its activities in the United Kingdom, headquartered in London.

Eligible candidates must have credentials with at least 10 years of management, marketing and/or sales experience especially with consumer products.

Send or fax a description of your present activities and curriculum vitae to

M. Deitcher
Atwood Richards Inc.
99 Park Avenue
New York, NY 10016
Fax 212 949 8040

Interviews with candidates will be held in London the week of February 1st

Christopher Lorenz casts a critical eye over new theories of how businesses should be organised

Fashionable federalism

Ever since the Maastricht treaty was negotiated a year ago, federalism has been a thorny subject in the world of European politics. At last week's Edinburgh summit, "success" was achieved by evading the issue. But it will bounce back on to the British and Danish agendas in the new year, to universal consternation.

In the world of business, however, federalism is suddenly in high fashion virtually everywhere.

On the academic front, the latest issues of two of the world's leading management journals, California Management Review and the Harvard Business Review, contain long articles by top scholars extolling federalism as the only effective way for companies to be organised.

Countless companies, from ABB to Benetton and BP, and from Coca-Cola to beleaguered IBM, have adopted a variety of new structures which academics – and sometimes the companies themselves – are dubbing "federal".

But how federal, as opposed to just fashionable, are they? And is there anything that corporate practitioners can teach Europe's sparring politicians about the realities of international federalism?

First, the sore subject of definition. To Charles Handy, Britain's premier professor of business organisation and the author of a "new federalist paper" in HBR*, federalism is the best way to combine the autonomy of individual countries, states or business units with the scale benefits of co-ordination.

The principle of federalism, says Handy, implies that power resides fundamentally with the constituent parts. They cede some of that power to the centre for the benefit of all. As such, federalism is distinct from decentralisation, which implies a delegation of power from an all-powerful centre.

Californian professors James O'Toole and Warren Bennis, authors of "Our Federalist Future" in the latest issue of the California Management Review**, make a similar point. The ideal federation is non-centralised, they say, rather than decentralised: power is withheld from the centre by constituent units, not handed down from it.

It is not surprising that federalism is now the trend in business, say the duo. For it allows constituent units to maintain their own integrity while they unify for common purposes. They can reap the advantages of smallness and independence on some issues (such as sales and service) with the benefits of scale and integration on others (such as finance and purchasing).

*Hence the flood of business organ*isations which are breaking themselves down into small units. At the same time, their corporate head offices are giving up many of the powers they used to yield when, as at IBM, they treated "their" whole company as a unitary organisation.

Which brings us to the first of several limitations to the federal metaphor as applied to business.

In most corporate cases cited in both articles, the process of "federalisation" – if such a word exists – is occurring through the very process of decentralisation that is disparaged by the Californians. How could it be otherwise when the centre of an established, centralised company hands power out to the *periphery?*

In the case of a newly-designed entity, such as ABB, the Californian duo's preferred notion of non-centralisation could, in theory, apply. But Handy and the Californians – specially the latter – underrate the degree of power held by the ABB centre in Zurich. Percy Barnevik, the group's Swedish chief executive, may make a point of talking about central "reporting", rather than "control", but the fact remains that his central "business segment" heads have tremendous muscle to coax, mould and, if necessary, control people elsewhere in ABB.

A different type of new, supposedly "federal", organisation cited by the Californians is Benetton, the Italian clothing combine. This consists partly of subcontracted pro*duction (by suppliers) and retailing* (by franchisees), plus centralised finance, design, development, purchasing and planning.

In current management jargon, such a structure is certainly a "network". But can it really be called a federation when the main task of the suppliers is to serve the centre? Most franchisees are also controlled with iron authority by the central organisation. Is that "federal"?

O'Toole and Bennis also weaken their case by confusing federations with confederations. Handy avoids this studiously. He points out that in confederations, unlike federations, individual states yield virtually no authority to the centre.

A *further limitation of the* federal metaphor as applied to business is in the degree of clarity and constancy of the separation of powers between centre and periphery.

Most political federations have written constitutions, which are hardly ever changed. So do some companies. But this does not mean that, as business conditions alter, the balance of power cannot shift informally between the central authority and the units. It must be able to do so, within outline parameters, if a company is to be capable consistently of striking the optimum balance between integration and autonomy.

In business, power-sharing with the centre will need to vary not only over time, but also as between *business units, depending on their* changing competitive, technological and financial circumstances.

Even within a business unit, different value-adding activities – such as design, development, purchasing, production and marketing – will need, over time, to have different degrees of international integration or national differentiation (and semi-independence).

As Handy says, federalism is a complex mix for a complex world: "federalism is and must be *flexible*; it can never be static".

The list of distinctions between business and political "federations" does not end there. Another, at least between a model business federation and the sort now envisaged by some European politicians, centres on the core federal concept of "subsidiarity" – what sensible US academics prefer to call the principle of "localness".

Unlike all the advocates of business federations, and some of their corporate practitioners, few European politicians outside Germany are prepared to apply the federal principle consistently right down their "organisation". The British government is the prime example, but there are others.

Such inconsistency in a business organisation would render it ineffective, according to Handy, O'Toole and Bennis. For a company to be able to act quickly in today's climate, responsibility and power really do have to be kept at the most "local" (lowest) level possible.

As the foregoing makes clear, the meaning of federalism in a business context is at least as hotly argued as it is in the world of European politics. Depending on your point of view, it is either a pure term which is applied far too loosely, or a broad one which comes in various forms.

Either way, the most sensible approach is to define exactly what one has in mind. Some academics distinguish, for instance, between "decentralised federations" (such as Unilever for many years) and "co-*ordinated federations*" *(typified* traditionally by Procter & Gamble).

The final point must be a highly practical one: that federations may be the best (or least bad) form of business organisation for the future, but that they are "devilishly hard to manage", as O'Toole and Bennis aptly put it. Barnevik at ABB recognises only too well that though power-sharing is a very necessary act within today's organisation, this does not make it a natural one. It has to be worked at – hard.

Barnevik clearly has plenty to teach the British and Danish governments. Perhaps, despite Swiss voting proclivities, the next summit should be in Zurich.

* *Balancing Corporate Power. HBR Nov-Dec 1992. Reprint no 92604. Fax (US) 617-495-6985.* ** *Summer 1992. Fax (US) 510-642-1318.*

Flirting with danger at the office party

Jan Winster warns that employers may be legally liable if festive celebrations go too far

Employers may face problems if the laughter turns to tears after the party

The office Christmas party is the one time during the year when hierarchical barriers between company employees are traditionally lowered.

Later, cases of innocent flirtation induced by too much alcohol and good cheer often assume legendary status in the unofficial annals of companies large and small.

But there are cases where the recrimination can be based on more than embarrassment. Charges of sexual harassment can follow, and there are circumstances in which employers can be held liable.

The Equal Opportunities Commission describes sexual harassment as "unwanted verbal or physical behaviour which, on grounds of sex, adversely affects the victim or threatens the victim's privacy, dignity or self-respect in the workplace".

Sexual harassment can include sexual advances or remarks, or threatening, patronising or humiliating behaviour which affects the victim's work performance or creates a stressful working environment.

But the legal definition of the "work environment" has been broadened. It is increasingly clear, for example, that employers can be brought into cases in which the alleged actions took place *while employees were undertaking* a broad range of expected duties.

Normal duties such as training fall in the category. But so too do social events, including Christmas parties. The key is whether employees were expected to attend such functions.

That can obviously be a grey legal area. But it may not require evidence of written or verbal orders to staff to attend such a function to show that employees were expected to participate in a particular activity.

Employers are also liable for the actions of employees during the course of their employment, even if they are not aware of the behaviour of those employees. There is a *prima facie* responsibility against which the *employer's only defence is that* appropriate preventive action has been taken.

It might not be only politically correct, but also cost effective, for companies to develop a sexual harassment policy. A clear written policy statement needs to be accompanied by appropriate procedures to make clear that all forms of harassment are unacceptable in the work place.

Such policies need to specify that sexual harassment includes unwanted behaviour such as touching, offensive language, jokes and graffiti. Staff training to prevent sexual harassment and counselling for any victims will give a positive message to employees that the company intends to pursue an *anti-discriminatory policy*. Companies also need to devise measures to ensure that victimisation does not occur to anyone who reports such incidents.

The Equal Opportunities Commission publishes a free Guide for Employers to the Sex Discrimination Acts of 1975 and 1986, which will fit neatly inside any company Christmas card.

The measures it suggests might frustrate some proposed party games, but they might also protect employers from becoming the unwitting third party in a seamy court case.

The author is a social worker in the East Midlands with wide experience in equal opportunities issues

PROPERTY

Cracks became chasms

Vanessa Houlder on 1992's litany of business failures

It is more than three years since the UK commercial property sector went into decline, but 1992 was undoubtedly the year when the cracks became chasms.

The past year produced a litany of disastrous corporate news. In March, Randsworth, a West End company bought by *US investors at the peak of the* market in 1989, went into receivership with debts exceeding £350m.

In April, Speyhawk disclosed that its liabilities exceeded its assets by £70m and that it was in talks with its bankers. So too did Heron, the property, finance and trading group, with net debts of £1.3bn.

In May, Mountleigh, a small wool manufacturing company that was transformed into one of the most audacious dealmakers on the stockmarket, went into receivership with debts of £400m. Rosehaugh, another notable developer and trader, later went into receivership with debts of £350m.

But undoubtedly the most devastating *collapse* was that of Olympia & York, the world's largest developer. In May, O&Y filed for insolvency protection in Canada and the US. Within days, Canary Wharf, O&Y's £1.5bn development in London's docklands was put into administration.

In absolute terms, the downturn is the worst the UK has ever experienced. An estimated £90bn has been wiped off the total value of commercial property in the UK, which in 1989 stood at £250bn, according to figures from surveyors Hillier Parker and the London Business School.

Some 32m square feet of office in central London is *unoccupied. Bank debt to prop*erty companies stands at more than £35bn. Since April 1990, property businesses have been going bankrupt at the rate of one every 36 hours, according to figures from accountants Touche Ross.

But however cataclysmic this recession may be to its victims, it is worth recalling that the market has been through some spectacular ups and downs before.

The unbridled capitalism of the 19th century unleashed booms and busts every quarter of a century. The break-neck expansion of London was periodically interrupted by mass bankruptcies among property developers. The problems experienced by John Nash, the Prince Regent's architect, to get Regent's Street and Regent's Park built and let "make Canary Wharf seem a passing local difficulty", said Simon Jenkins, the ex-editor of the Times, in a lecture broadcast in London last week.

In the 19th century London was littered with new developments which, like Canary Wharf, appeared to be white *elephants. Parts of Notting* Hill, for example, became a ghost town when they were developed in the mid-1800s. It was described by the journal Building News as "a graveyard of buried hopes".

Since April 1990, property businesses have been going bankrupt at the rate of one every 36 hours

There has been no let-up this century in London's expansion or the cycles of boom and bust. The oldest property slump in living memory was the depression of the 1930s, when the UK economy shrank by a third and *property values fell by a quar*ter, according to a surveyor working at the time.

The second world war also precipitated a "sudden and sweeping" decline in values, according to The Property Boom by Oliver Marriott. One prominent casualty was Jackie Phillips, one of the biggest pre-war developers, who died on Christmas day 1939 "impoverished, his banking accounts overdrawn and his credit stopped". Widespread disaster in the sector was only averted by a moratorium on loans by insurance companies, building societies and other lenders.

One of the market's biggest upheavals was in the 1970s. This was due in part to the post-war introduction of a planning system which restricted supply and encouraged prices to overheat during *periods of prosperity*.

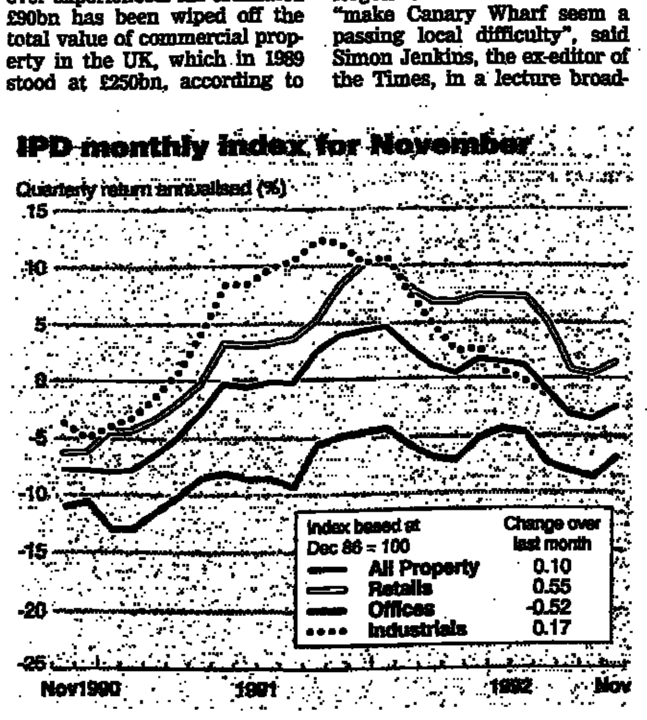
In the period of heady development in the early 1970s, property profits rose to a level which Lord Barber, the then chancellor, described as "obscene". In 1973, Clive Jenkins, a trades union leader, said the activities of property developers were "destroying the middle classes, encouraging petty crime and had led to a decline of investment in manufacturing industries".

The downturn, when it came, was abrupt. "It was equivalent to walking out of the house and, before you reach the corner, there is an earthquake", said Willie Stern, a developer whose bankruptcy in 1978 with debts of more than £104m *propelled him into the record* books.

When Margaret Reid assessed the 1970s property crash for her book The Secondary Banking Crisis 1973-75, she described it in terms that makes the present downturn seem tame.

"Never since the South Sea Bubble [in the 18th century] had there been such a massive evaporation of speculators' expectations as at that time in the previously euphoric property market."

IPD monthly index for November



Little movement

The total return from commercial property in 1992 will probably be close to zero – about half a point better than the total return for the previous year, according to Investment Property Databank, an independent research company.

In the year to November, total returns were 0.3 per cent, while rental values fell by 9 per cent and capital values fell by 8 per cent.

The IPD monthly index recorded little movement in November. The overall equivalent yield remained at 9.9 per cent and the total return for the month showed only a slight improvement, rising to *0.1 per cent. Both rental and* capital values continued to fall, by -0.9 per cent and -0.7 per cent respectively.

Retails posted the best results of the three sectors, both in terms of the monthly and year-on-year total returns. The retail sector remains the preferred investment area.

In November, retail yields edged downwards from 9 per cent to 8.9 per cent, while capital values fell by 0.3 per cent and rental values by 0.5 per cent.

Office returns have remained relatively stable, albeit low, over the year. The current year-on-year total return is -6.3 per cent.

Drugs that lighten depression

Paul Abrahams on why the market for anti-depressants is growing so fast

Christmas is not the season of goodwill for all men and women. A recent study in Birmingham suggests that on Christmas day attempted suicides increase by 25 per cent.

Depression is a fatal illness – nearly three quarters of suicides are linked to it. Clinical depression, the persistent and sustained feeling that the self is worthless, the world meaningless and the future hopeless, is the most common emotional disorder.

There is, however, no agreement about the disease's incidence because only about 25 per cent of those depressed visit a doctor. Roger Bickerstaffe, research director at the Belgian group Solvay Pharmaceuticals, reckons a third of the population will need treatment at some time in their lives and that at any one time 5 per cent will be receiving treatment.

The costs of depression are immense. The American Psychiatric Association estimates depressive illness costs the US \$27bn (£17bn) a year, including \$12.7bn through hospitalisation, out-patient treatment and drugs. The Office of Health Economics, a UK think-tank, says the direct costs to the National Health Service are about £333m a year.

The anti-depressant drug market is changing and growing rapidly. Although 9m prescriptions are issued in the UK every year, most are for old and cheap generic products.

But these older drugs, called tricyclics, are giving way to a new, more expensive generation of medicines called selective serotonin reuptake inhibitors, or SSRIs. Smith New Court, the UK broker, estimates the worldwide market has grown 20 per cent a year over the last three years from £700m a year to £1.2bn. Geoffrey Dunbar, director of SmithKline Beecham's central nervous system therapeutic unit, reckons the market could quadruple by the year 2000.

Growth is partly being driven by the increased incidence of the illness, according to a study published in this month's issue of the Journal of the American Medical Association. General practitioners may also be more adept at diagnosing and treating the illness which is under-recognised, under-treated and stigmatised, according to the OHE.

There are two main categories of depression. Exogenous or reactive depression is related to outside events such as a close death or losing a job. However, clinicians remain unsure of the causes of endogenous depression not linked to outside events.

"The plain fact is that nobody really knows the causes of depression," admits Bickerstaffe. However, he says the biological infrastructure of the central nervous system appears to affect mood.

The hypothesis is that a shortage of naturally occuring neurotransmitting chemicals – known as monoamines – may lead to depression, says Dunbar.

Between each nerve in the central nervous system is a gap, known as a synapse, he explains. So that a nerve impulse can pass across the synapse between a presynaptic nerve to a postsynaptic nerve, neurotransmitting chemicals are released by the presynaptic nerve into the synapse. The chemicals in the synapse then trigger a signal in the receiving postsynaptic nerve.

A lack of these chemicals such as serotonin, noradrenalin and dopamine, appears to suppress neurotransmitter stimulation and be linked to depression, says Gary Tollefson, executive director of psychopharmacology at Lilly Research Laboratories.

Tricyclics, the most common anti-depressants, are believed to work by correcting the shortage of monoamines in the synapse.

Normally, once the monoamines have done their job, a proportion is reabsorbed into the presynaptic nerve. The rest is broken down by enzymes. Tricyclics work by hindering the reabsorption. This increases the concentration of monoamines in the synapse and therefore stimulates the post-synaptic nerve for longer. The drugs are effective for about 70 per cent of patients.

The problem with tricyclics is two-fold, explains Tollefson. First they affect the postsynaptic nerve as well as the presynaptic nerve. They influence other neurotransmission systems, including those for dopamine, histamine and noradrenaline. The result is a series of significant side-effects, such as dry mouth, blurred vision, drowsiness and constipation. Many patients fail to complete the course.

But more important is the toxicity of tricyclics. By taking five to six times the normal dose, patients can kill themselves.

A second class of anti-depressants was developed in the 1960s called monoamine oxidase inhibitors (MAOIs). The MAOIs work by binding with the enzymes in the synapse that break down the monoamines. This raises the level of monoamines and increases activity in the central nervous system.

However, these drugs also have unwanted side-effects. MAOIs are irreversible, which means the enzyme has to be replaced, which can take four weeks. One problem is that the enzyme which is bound to the MAOI has other jobs including the breaking down of tyramines, chemicals found in some cheeses and wine. Without the enzyme, levels of tyramine can build up. This can lead to increased blood pressure, heart failure, even death.

Recent market growth has been driven by the new generation of drugs, SSRIs, of which four are currently marketed. They are Fluvoxamine developed by Solvay; Prozac sold by Eli Lilly, the American group; Lustral, also known as Zoloft in north America, which is marketed by Pfizer of the US; and Seroxat, discovered by Novo Nordisk in Denmark and marketed in most of the world by SmithKline Beecham, the Anglo-American company.

SSRIs also work by inhibiting the amount of serotonin taken back into the nerve terminals and so increasing its availability in the synapse. They are no faster and no more effective than the tricyclics and considerably more expensive. According to the OHE the cheapest tricyclic costs about 82p for 30 days treatment, compared with £33.90 for the most expensive SSRI.

They are, however, far more selective than the tricyclics and do not affect other neurotransmission systems. Dunbar at SmithKline Beecham says clinical trials suggest the drop out rate for SSRIs is 10 per cent less than tricyclics. In addition, they are far less toxic than tricyclics, meaning it is almost impossible to overdose on them.

The leading SSRI is Prozac. Its sales were hit badly in 1990 after the Church of Scientology claimed it induced violence and suicidal tendencies. The allegations were dismissed by the US Food and Drug Administration but the drug's market share fell from 25 per cent in July 1990 to 21 per cent in April the following year. Nevertheless, Prozac's sales reached \$910m last year and may reach \$1bn this year.

Prozac's rivals are building up sales fast. Zoloft was launched in February but already has sales of about \$185m. Seroxat is not yet marketed in the US where it will be known as Paxil, but had 20 per cent of the UK market by value during the first six months of this year.

Meanwhile, drugs groups are investing heavily in the area. Bickerstaffe at Solvay reckons 11 anti-depressants are ready to be or have been submitted to licensing authorities. A further 30 are in development. Two SSRIs, from American Home Products and Bristol Myers Squibb, will shortly be launched in the US.

A number of companies, including Roche and Ciba-Geigy of Switzerland, are working on a new class of MAOIs, called reversible inhibitors of monoamine oxidase type A (RIMA). Unlike earlier generations of MAOIs, they do not bind irreversibly to the enzymes necessary to break down tyramine and can be used without dietary restrictions.

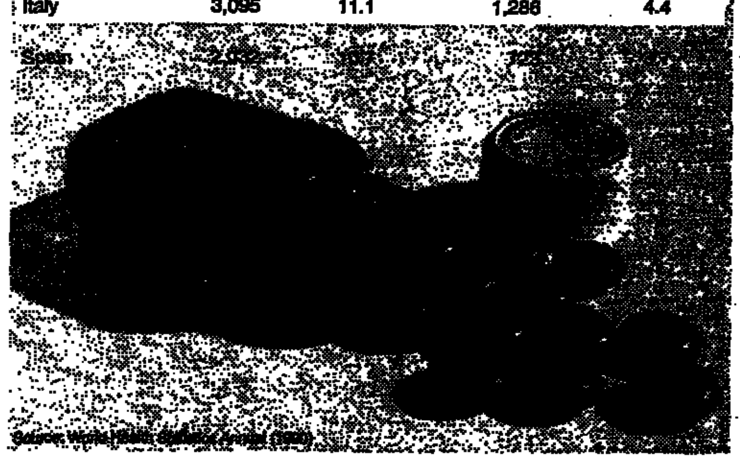
Researchers are also looking to synthesise drugs that affect only targeted receptor cells. In addition, they are searching for compounds that replicate or block the neuropeptides capable of modulating the neurotransmitters.

The attractions of the anti-depression market are not limited to its size and rapid growth, says Tollefson. Research on the central nervous system for depression will have spin-offs in other illnesses, such as Parkinson's, Alzheimer's and schizophrenia.

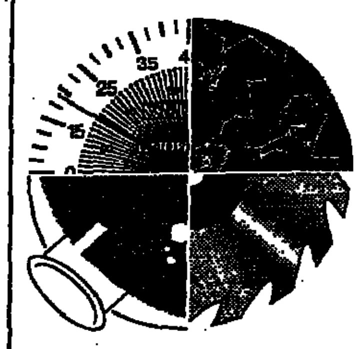
This series on new drugs looks next month at combating skin problems.

Suicide: an international comparison

Country	Male: Total number	Male: Suicides per 100,000 population	Female: Total number	Female: Suicides per 100,000 population
Finland	[illegible]	[illegible]	[illegible]	[illegible]
Austria	1,313	36.1	585	14.7
Denmark	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	1,063	32.8	450	13.2
France	[illegible]	[illegible]	[illegible]	[illegible]
West Germany	7,037	23.5	3,215	10.0
Canada	[illegible]	[illegible]	[illegible]	[illegible]
US	24,078	20.1	6,329	5.0
England & Wales	[illegible]	[illegible]	[illegible]	[illegible]
Italy	3,095	11.1	1,286	4.4
Spain	[illegible]	[illegible]	[illegible]	[illegible]



Worth Watching · Della Bradshaw



Jingle bells of the mobile kind

THIS year's high-tech Christmas present in the UK could well be the personal mobile phone. Exploiting the low-use consumer tariffs introduced earlier this year by the two cellular operators, Cellnet and Vodafone, both Motorola and Sony have developed mini phones intended for personal rather than business use.

The big advantage for the consumer is the price – £249.99 for the Motorola model and £325 for the Sony one – and the ability to purchase them off the shelf in high-street shops. The Motorola phone has even gone as far as using standard long-life batteries, rather than the heavy-weight rechargeable packs used with older mobile phones, in order to make it appealing to the consumer.

Add a cable to attach the phones to the cigarette lighter and both can be used in the car. Motorola: UK, 0500 555555. Sony: UK, 0635 873322.

Japanese in your stocking

THE perfect gift for the international business person who has everything could be the latest English-to-Japanese and Japanese-to-English translation system.

On sale in Japan from December 2, the Duet Qt notebook computer from electronics group Sharp is no larger than an A4 file folder yet has a basic dictionary of 79,000 Japanese words and 70,000 English ones.

The machine uses a translation algorithm known as the parallel sentence structure system, which analyses the structure of the sentence rather than just translating individual words. Translations performed on the machine, which runs under the Unix operating system, can be fed into most office computer systems for further editing.

At Y3,280,000 (£17,354) for a basic model, however, the Duet is only likely to appear in the most exclusive of stockings. Sharp: Japan, 06 625 3007.

Medieval fantasy

IN Japan, video games are the order of the day, *writes Emiko Terazono.*

Earlier this month, the entire stock of one software game – 900,000 copies – was sold on the first day it appeared in the shops.

Final Fantasy V, from software group Square, is for use on Nintendo's Super Famicom or Super NES handheld computers. It is set in medieval times with four knights trying to conquer a monster.

Square expects the game, priced at Y9,800 (£51.85), to have final sales of 3m. Square: Japan, 03 5488 1525.

Screens have never looked so good

THE computer buff who is having problems with his or her bifocals may appreciate a pair of clip-on spectacles that convert fuzzy vision into clear vision.

The designers, Direct Perception of London, say that by clipping Compu-vision over normal distance glasses, bifocals or varifocals, they can be brought to focus accurately at the special distance of computer screens – about 60 to 80cms.

The lenses cover just the top half of the glasses and cost £8 a pair. Direct Perception: UK, 081 518 2685.

Bingo lingo

PERHAPS you'd like to give your employers language lessons for Christmas.

Language teacher Bruce Nicol has developed a way of teaching English, French or German in a high-tech method based on the game of bingo. BI-LINGO teaches grammar and a minimum of 3,000 words through repetition and exploiting the individual's desire to win.

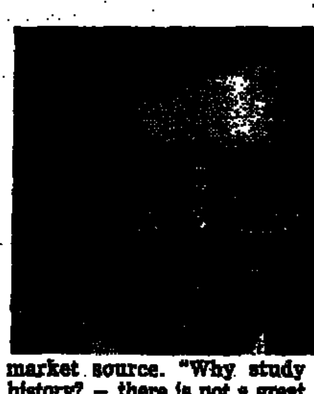
Nicol adapts the game to suit a company's individual needs. Nicol: UK, 0424 431376.

PEOPLE

Vardey and Balfour join exchanges

A pair of investment bankers has slotted themselves into the hierarchy of two very different stock exchanges – apparent further indications of just how tough the climate in City firms has become.

Giles Vardey (left), who left his position as head of continental equities at Swiss Bank Corporation in May, has joined the board of the London Stock Exchange in the newly created position of markets development director, while Charles Balfour (right), who until now has been a London-based director of Italian investment bank Cragnotti, will become the next managing director of the overseas arm of Nasdaq, the US over-the-counter market.



Turnover of senior management under London Stock Exchange chief Peter Rawlins has been rapid, and the new job Vardey has plumped for is expected to be tough. "I think he will be under more pressure to deliver than he expects," was the comment from one market source. "Why study history? – there is not a great deal of future in it," Vardey ripostes.

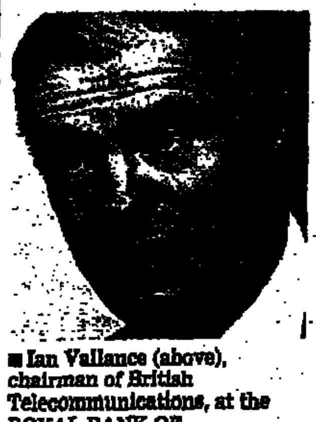
For the past couple of years, the exchange has come under heavy fire from its members for failing to take much account of their views. Vardey's appointment appears to be a, very belated, acknowledgement of this lack of liaison as the institution moves towards the creation of a trading infrastructure to house the UK national and so-called European inter-professional markets. Vardey's assignment is to work through the detail of members' trading and business requirements, and, above all, to sell the changes to the industry.

Famous among other things for his flamboyant braces, Vardey, 36, had previously been at Salomon – twice, the second time as head of continental equities. He was at County NatWest in between the Salomon stints, including as managing director of European equities. Asked why he did not move to another investment bank after SBC, he stresses the importance of the exchange taking on more market practitioners.

Meanwhile, Balfour, 41, who has been working at Cragnotti since 1991 as head of mergers and acquisitions and corporate finance, points out that cross-border business has been extremely slow. However, the "mutual parting of the ways" came, he claims, because he would have had to go to Italy "for it really to be a success and I didn't want to do that". Of the "three or four job offers," he received, Nasdaq appealed the most. He succeeds Lynton Jones, who founded the London end of Nasdaq and is now with the Swedish derivatives market OM.

Educated at Eton and the Sorbonne, Balfour had spells at Hoare Govett, Hill Samuel and Dillon Read before joining Banque Paribas where he stayed from 1979 until 1991.

Non-executive directors



■ Ian Vallance (above), chairman of British Telecommunications, at the ROYAL BANK OF SCOTLAND; Lord Airlie, chairman of General Accident, and Ranald Noel-Paton, a director of General Accident, are to resign because of a conflict of interest between General Accident and RBS's Direct Line.

■ Anthony Barry, chief executive of CRH, at GREENCORE, replacing William Attley, who has resigned.

■ David Dare and Frank Edwards have resigned from BIMEC INDUSTRIES.

■ Stephen Sherwood at BLACKLAND OIL.

■ Stephen Lewis, an associate of Shaw and Co, at EXPLAURA.

Keys departs from SBJ

Tony Keys is to part company with Steel Burrill Jones, the insurance broker whose recent expansion he has helped to orchestrate. Keys, now 51, leaves SBJ in May next year, after over four years with the group. He says the departure is entirely amicable and is part of an overall management and boardroom reorganisation designed to equip the company for a period of slower growth and consolidation.

David Beresford Jones, group chairman, is also retiring to devote more time to interests outside the city. Clive Richards, currently a non-executive director, takes over as chairman, and Michael Blackburn and Oliver Stocken join as non-executive directors.

SBJ, which was listed in 1986, initially earned most of its profits from broking in the controversial spiral reinsurance market – in which Lloyd's syndicates and companies reinsure each other's exposures to catastrophe losses. Keys and George Boden, who took over as finance director and chief executive, respectively, in 1988, managed the group's successful diversification, buying subsidiaries in energy and other commercial insurance broking businesses.

However, as trading conditions have become tougher, growth has slowed and one recent acquisition – that of the Regis Low energy brokerage – has not gone according to plan. "I'm good at doing deals, developing systems, winning new business," says Keys, "I don't enjoy repetition and consolidation which are now necessary to deliver results for shareholders."

Next year he plans to set up a consultancy but recognises that competition could be tough; he is relaxed about prospects. "I'll set up a little office in EC3. But if the phone doesn't ring it will be a sweet shop in Somerset."

Kerridge: new Ransomes chairman

John Kerridge, who left Fisons, the pharmaceuticals and scientific instrument group, for reasons of ill-health, has found enough energy to extend his interests in gardening.

Having already been deputy chairman, he is now to become chairman of Ransomes, the lawnmower group, which is based in Ipswich near his home. He succeeds Astley Whittall who will retire at the agm next April.

Kerridge left Fisons, troubled by difficulties with the US Food and Drug Administration, last January. At that time, the company said his departure was due to a heart condition.

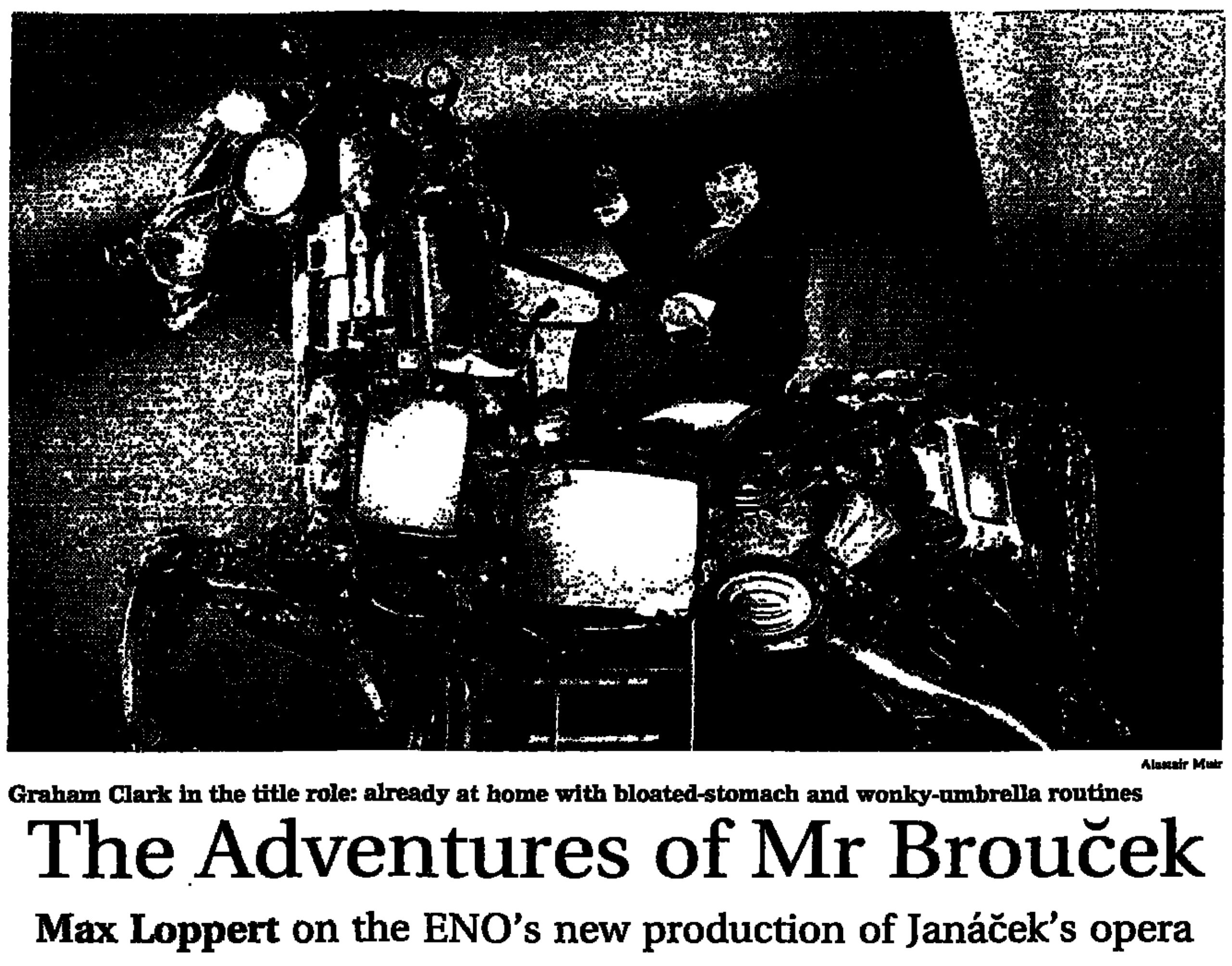
Bob Dudsworth, Ransomes' chief executive, says there is considerable difference between the stress of being a chief executive and a non-executive chairman.

Kerridge will have an interesting challenge helping turn Ransomes round; last year it made a loss of £45m. During the first half of this year it returned to the black, making pre-tax profits of £2m, but passed its interim dividend.

Janáček's fifth opera returns to London after a gap of nine years, in a brand-new English National Opera production – the second such to be mounted by the company in its tenure at the Coliseum. Most important opera-cities have yet to see and hear even a single staging of this glorious and remarkable opera. We owe our good fortune to ENO's undimmed enthusiasm for this composer, shared by former Director of Productions (Colin Graham) and current (David Pountney) alike, and to the continuing presence of Charles Mackerras as our foremost Janáček conductor.

The Adventures of Mr Brouček is comedy, romance, satire, fantasy and historical epic all in one, not sustained for long on any of those levels but a magically elliptical and unpredictable voyage through them all. The plot-point is simple – Brouček, a petty-bourgeois Prague landlord, prosperous and small-minded, gets drunk at his local, and finds himself transported out of his stupor, first to the Moon (the first part) and then (the second) to the 15th-century Prague of the Hussite Wars.

On the Moon he encounters a gaggle of arty poseurs and Style Counsellors, who display their wares (pretentious artefacts, fancy political nostrums) and, in turn, mock his philistinism and carnivorous appetites. In the 15th century, Brouček shows a distinct lack of enthusiasm for the battle against the Germans still enveloping the city, and is condemned to death for cowardice – yet, waking up head-first in a beer barrel, he soon brags of having liberated the city "single-handed".



Alastair Muir

Graham Clark in the title role: already at home with bloated-stomach and wonky-umbrella routines

The Adventures of Mr Brouček

Max Loppert on the ENO's new production of Janáček's opera

The realisation is complex, and studded with potential pitfalls of background and foreground understanding. On the Moon the problem is a combination of incoherence and excessive generosity in the choice of satirical targets – and, indeed, their speed of delivery: the whole episode goes at a cracking pace. In the 15th century, it is the copious references to important but possibly unfamiliar figures and events of Czech history.

And yet, in the actual experience, problems recede and magic takes over. Janáček's idiosyncratic dramaturgy is grappled together by the title character – always comprehensible in his foibles, prejudices and limited moral sense, not exactly lovable, perhaps, but utterly human; by a love of Prague which links every image and event and infuses every note; and above all by Janáček's score, pithy and muscular, filled with bursts of elating visionary radiance.

With this new *Brouček* Pountney completes his British production-cycle of the mature Janáček operas. In the programme he writes lucidly of the composer's "cinematic" i.e. "fast-moving, non-linear drama created by juxtaposition and collage". The staging, designed by Stefanos Lazaridis (sets) and Marie-Jeanne Lecca (costumes), is a characteristically intelligent, forcefully argued attempt to realise that peculiar dramatic modernism by commanding every area of space and type of stage action.

Film, drop-cloths, the spin of the central revolve, the trollying on and off of quirkily shaped props, the use of chorus in complex dance formations (choreographer: Quinny Sacks) – all this, and much more, is set in motion for a show that seeks a bold, fantastic foreshortening of dramatic and visual perspective. The influence of the 1920s cinema, of René Clair comedy, Vigo poetry and the magical surrealism of early Buñuel, is strongly apparent.

In the second part, rather easier to stage, the presentation of knights and huge caparisoned horses on stilts pinpoints exactly the time-travelling mixture of martial grandeur and Brouček's own fuddled response thereto. In the first, Pountney, with the aid of his own new translation (packed with sallies enjoyable on the printed page that too often go unheard), embarks on a virtual re-writing: the time and place are 1992, a mad whirl of contemporary modes and manners. Starry-Eyes, Wonder-glitter, Rainbowbrush and all the other lunar aesthetes are banished; jokes about David Hockney, feminism, political correctness, surtitles, and even some of the house's own "interventionist" operatic fashions tumble out in quick, jolly succession.

The production has been paid for by the Coliseum audience itself, as a result of the £100,000 sum elicited on appeal. This is a source of justifiable pride and gratitude. Watching the opening-night account of it, however, I wondered whether for Pountney's purposes either too much or too little money had been raised. Much of the Moon scene looked a fearful mess, a pudding over-egged, over-spiced and over-sugared, with technical means constantly overstretched.

In my no doubt hopelessly old-fashioned way I yearned for a more loving, less physically caricatured treatment of the principals, for more romance, picturesqueness: for more matter, in sum, with less art. Two features were securely preserved: the lyrical effulgence of the tripartite leading soprano role, beautifully taken by Vivian Tierney; and the majesty of that extraordinary Act 2 "vision of the author", here presented as a Václav Havel figure – the production is dedicated to him – and nobly, if near-wordlessly, delivered by Alberto Remedios.

Otherwise, the cast, which includes such company stalwarts as Bonaventura Bottone, Paul Napier-Burrows, Arwel Huw Morgan and Christopher Booth-Jones, tended not to make a strong impression with words and notes. This seemed true even of Graham Clark in the title role, a wonderful tenor singing-actor already at home with bloated-stomach and wonky-umbrella routines but not yet wholly inside the music.

Of course this may well alter with practice and wearing-in; and no opera-lover in search of unstaled operatic pleasures should dream of staying away. Already, Mackerras paces the two parts as though their shape and content were as simple as *Bohème*'s; the wealth of knowledge, experience and simple "knack" in the musical unfolding is summed up in the blissful quiet enchantments of the Act 1 curtain-close. If there were no other reason to praise the new ENO *Brouček*, ENO's great Janáček conductor and his splendidly responsive orchestra would provide reason enough.

Theatre/**Alastair Macaulay**

The Gift of the Gorgon

Peter Shaffer is author of some of the most celebrated plays of our time – *The Royal Hunt of the Sun, Equus, Amadeus, Lettice and Lovage*. These treat very different subjects, and his latest, *The Gift of the Gorgon*, differs from them all in that it is about a recently dead playwright, his wife and his adult son by another woman.

The play begins with the news of Edward Damson's death. His widow Helen (Judi Dench) is in mourning, and his son Philip (Jeremy Northam), a scholar, pursues her in order to discover and record his father's story. At once we are in an absorbing nexus that feels quite new in Shaffer's output. The Damsons' marriage was one of muse and artist, whereas Philip is both a son who never knew his father and an academic enthusiast for his father's work.

It is with the entry of the late Edward (Michael Pennington) that we recognise that this is actually a very Shaffer play after all. Shaffer relishes, on the one hand, dialectic, and, on the other, melodrama. The dialectic is between the rational and the irrational, the Apollonian and the Dionysiac: Salieri and Mozart, Miss Schoen and Lettice, and, here, the ordered Helen and the wild Edward. Though Helen calls herself Edward's muse, she is really his chief critic and editor. He is rebellious and adulterous. She sacrifices her life to his career; he accuses her of castrating him. Love turns to resentment.

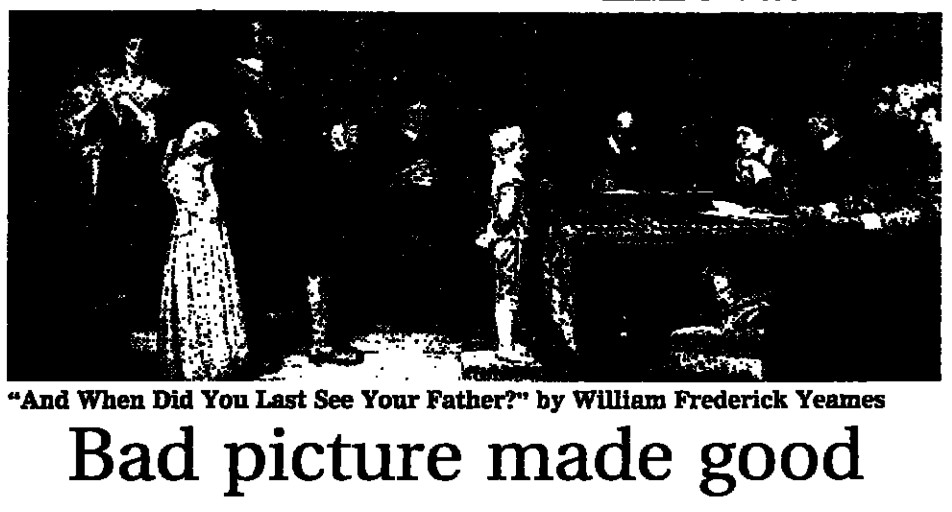
I enjoyed *The Gift of the Gorgon* on three of the most basic levels: I wanted to know what would happen next, I cherished several of its good lines, and I was riveted by Judi Dench. But once the dialectic-cum-melodrama combination became clear (during Act One), it began to feel formulaic. And not only is the playwright wild and melodramatic (he dances an ancient Greek dance in his bathtowel, pours red wine over his head and so on), but the whole play is also planned to prepare you for a lurid melodramatic climax: i.e. How He Died.

As Helen unfolds her story, each act ends with a climax whose real importance we do not comprehend until Act Three. But oh! we know what's involved. The paper! The blade! The olive-green soap! These ingredients are so prominent in passing that we know they will return with a vengeance. Then, at the start of Act Three, Edward arrives, paler than before: "I slept little last night." Helen replies, warningly: "And less tonight!" It is a credit to Dench that the audience does not guffaw.

A niggling problem for the observer is the degree to which *The Gift of the Gorgon* means to be autobiographical. Like the Dionysiac characters in so many Shaffer plays, Edward is a florid theatrical conception, entertaining but not persuasive. And so one wonders unprofitably: why does Shaffer need to present such characters?

Peter Hall directs, and shares responsibility for the play's flaws and virtues. Pennington is engagingly vivid as Edward, but he leaves us always aware of his virtuoso vocal technique. Northam's Philip is expert but deliberate. Only with Dench does art become transparent. Her playing blazes with truth and simplicity. She is both still and intense, detached and immersed.

At the Pit until March 11



"And When Did You Last See Your Father?" by William Frederick Yeames

Bad picture made good

Susan Moore examines one of the great anomalies of British art

"And When Did You Last See Your Father?" is one of the great anomalies of British art. Everyone knows the picture, but few could tell you who painted it. As art it is undistinguished and was presumably always considered so, given its unenthusiastic reception at the 1878 Royal Academy. Yet the picture became a household favourite and remains firmly lodged in the collective consciousness of the nation.

Madame Tussaud's waxwork tableau after the painting was dismantled only in 1989. Contemporary satirists and cartoonists such as Posy Symmonds and Nicholas Garland still rely on readers instantly recognising any allusion to the picture. It has never seemed to matter that this is a history painting that records an event that never even happened.

The phenomenon of "And When . . ." is now under examination at the Walker Art Gallery in Liverpool (until January 10). William Frederick Yeames's canvas is the centrepiece of this exhibition which not only places it in the context of Victorian fascination with the Civil War but also charts its march to fame.

"And When . . ." was a truly popular picture from the start. It was bought by the fledgling Walker Art Gallery in 1878 as part of an acquisitions policy that intended to appeal to "the numerous visitors to the gallery who are uninterested in the higher forms of Art". The image's rapid dissemination which, began after the turn of the century was primarily the result of new and inexpensive photographic printing techniques. Collins was the first publishers to use the painting to illustrate mass-market school textbooks.

Parodying the picture in cartoons seems to date from the 1920s. In 1932 Wills issued a series of "sectional cigarette cards" based on famous paintings, which offered the Walker picture alongside Millais's "Boyhood of Raleigh" and Hals's "The Laughing Cavalier". Madame Tussaud's tableau was erected the following year. A play of 1934 recreated the circumstances of "And When . . .", as did a "quota-quickie" film of 1936.

It is fascinating to chart the change in the Parliamentarians' critical fortunes. For Thomas Carlyle, the Puritan revolution was the "last glimpse of the Godlike vanishing from this England". Ford Madox Brown's intense portrait of the young Cromwell emphasises Cromwell the radical and visionary destined to uphold the literal word of God. And in his 1859 "The Night Before Naseby", Leopold Augustus Egg accords him near divine status, applying the imagery of Christ's Agony in the Garden for Cromwell praying outside his tent. But by 1898, when the songwriter Frederic Weatherly ("Roses of Picardy", "Danny Boy") based "The Young Royalist" on Yeames's picture, the Royalist boy lip-tremulously heroic and the Roundhead captain no more than a brute.

Changes similarly occur in the remodelling of the Tussaud tableau. In 1933-60, the boy – true to the picture – is represented as a nine or 10 year old. His is therefore an adult moral dilemma: is it permissible not to tell the truth? In the 1960-89 version he has become a little boy of five, and the Roundheads are simply big bullies.

A recurring theme is the triumph of human kindness over sectarian loyalties. Thus William Shakespeare Burton portrays a young Puritan woman helping a wounded Cavalier while her brother/husband disapprovingly looks on. More often that not, however, these genre scenes are no more convincing than costume dramas; Frederick Goodall's chocolate-box "Puritan and Cavalier" seems absurd enough to be a parody of the genre at its worst. As history paintings in the noble sense they fall miserably. This fascinating show reveals how the fame of "And When . . ." became self-perpetuating. What it cannot explain is why this picture, rather than any other, should have assumed its position of national icon.

Recital/**Richard Fairman**

Janice Watson

Unfair penalty is paid by singers whose recitals are timed to fall in the closing days of the Edinburgh Festival, as visitors already tend be leaving the city. I missed Janice Watson's recital there this year and was doubly sorry when she went on to win several awards for it – a particular distinction, given that 1992 was such a good year in that department.

Whether her programme in the Purcell Room's Song Series was the same, we were not told. But it was so well tailored to what this young singer does best that one imagines some of the items at least must have travelled down from Scotland. As we know from her operatic appearances, Janice Watson is a soprano who has a warm lyric voice with plenty of appeal on its own account and this recital, by and large, was used to put it in the limelight.

In the opening group of Liszt songs those awkward German consonants which can get in the way of a singable vocal line were surreptitiously tucked aside. This is one way to sing a piece like "Kennst du das Land?" (not the favourite version, but its alternative) though Goethe's poetry gets rather short shrift. It was on the level of pure singing that she was operating and the choice of the Three Petrarch Sonnets to follow confirmed that priority.

For these are technically demanding songs, which stretch the voice. The young Margaret Price used to sing them with a fearless, shining beauty; Miss Watson is a less individual talent, but she has the fullness of emotion in her voice and hits a particularly well-controlled area right up on the top notes where other singers struggle. The close of the first song soared to its apex with grace, leaving her time to make music as well as get the notes.

That was a facility which came in useful for her Russian songs after the interval, notably a delectable Rakhmaninov "By the window", given a properly sensuous piano accompaniment by Iain Burnside. Here and in the Tchaikovsky items a heart really started to beat in words and music alike. Janice Watson will be singing Tatyana in Tchaikovsky's *Eugene Onegin* for Welsh National Opera next year and the character was clearly in embryo already here.

Arts Council shares out its meagre Christmas presents

The Arts Council distributed Christmas presents yesterday in the form of 1993-94 grants to its shrinking group of clients, and managed to share out the misery fairly equally.

The Council's grant from the government of £226m was a mere 2 per cent increase over the current year, but by cutting its operating overheads to the bone, it has managed to give some clients slightly more than that.

The Big Four – the Royal Opera House, Covent Garden (with £19.5m), the RSC, (£8.47m); the Royal National Theatre (£11.16m) and the ENO (£11.65m) – get a 2.5 per cent rise in grant: indeed there is a even a little addition for Birmingham Royal Ballet. The South Bank receives a 2 per cent lift to £13.42m.

The conclusion of successful funding deals with local authorities has ensured more substantial grant increases for the Birmingham Rep (up 10.2 per cent); the Belgrade Coventry (9.6 per cent); and Watford Palace (a 13.6 per cent gain) while the Hampstead Theatre in London gets a rise of 17.5 per cent to £234,400, thanks to a recent Arts Council appraisal.

In contrast, the Royal Philharmonic Orchestra is frozen at £440,000 while the Council waits to see how its new management team works out.

The Bournemouth Orchestras (6.9 per cent more at £1.48m) and the Royal Liverpool Philharmonic (6.9 per cent extra to £1.48m) gain because they face particular challenges next year. The LPO benefits by 6.3m, to £1.13m, to ease its residency at the South Bank.

Dance seems favoured, with substantial gains for Northern Ballet Theatre (up 7 per cent to £879,800) and for the companies led by Siobhan Davies and Shobana Jeyasingh.

The Arts Councils of Scotland and Wales receive just 2 per cent more.

The fight is now on to raise the Government allocation for 1994-85 which, at the moment, is set to be a reduced grant.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

An important exhibition of some of watercolour's most famous exponents, entitled The Great Age of British Watercolours 1750-1880, opens at the Royal Academy of Arts in London on January 15.

The exhibition will include 300 works by *Turner, Girtin, Constable, Blake, Samuel Palmer, John Sell Cotman* and others. It traces the developments of an era when both the role of landscape painting and the perception of the natural world underwent revolutionary and lasting changes. Nowhere were these changes more closely mirrored then in the status and developing technique of British watercolours.

The exhibition will run till April 11. A specially reduced combined ticket will be available to include the current Sickert show, which runs till February 14, and the exhibition devoted to Georges Rouault's Early Years, which opens on March 11.

Advance booking is available via Ticketmaster (071-379 4444) or First Call (071-240 7200).

As a result of a restoration programme being undertaken by the authorities in Naples, visitors to the Italian city have a rare chance to see inside some of its most historic churches.

These rare artistic opportunities include the interiors of Pietrasanta and SS. Severino e Sossio, the Pio Monte della Misericordia, Santa Maria la Nova and S. Giovanni a Carbonara.

Each Saturday till the end of June, there will be guided tours for two of the churches on the list of 26, while on the first and third Saturday of every month a concert of classical music will be held in one of the churches.

The restoration programme - initially confined to dusting and washing monuments housed in the churches - is part of a wider plan to restore Naples' historic centre and to bring back into public use an artistic and historical heritage which has been shut up and neglected for too long.

EXHIBITIONS GUIDE

AMSTERDAM
Rijksmuseum North Netherlandish Art 1580-1620: 350 masterpieces. Ends March 7.
Also Discarding the Brush: Gao Qipel (1660-1734) and the Art of Chinese finger painting. Ends Feb 28. Closed Mon
Van Gogh Museum Glasgow 1900. Ends Feb 7. Daily
BARCELONA
Museu Picasso Picasso: the Ludwig Collection. Ends Jan 31. Closed Mon (Carrer Montcada 15-19)
Fundacio Joan Miro Gilbert and George: 25 large-format pieces by the British duo. Ends Jan 10. Closed Mon
BERLIN
Neue Nationalgalerie Pablo Picasso: After Guernica. Ends Feb 21. Closed Mon
Martin-Gropius-Bau America 1492-1992: a vast survey of American culture from the time of Columbus' voyage of discovery to the present day. Ends Jan 3. Closed Mon
Nationalgalerie Art in Germany 1905-37. Ends Jan 3. Closed Mon and Tues
Brucke Museum Painting and Sculpture of the Brucke. Ends April 4. Closed Tues
BONN
Kunst und Ausstellungshalle From Cezanne to Pollock. Ends Jan 10.
Also Museum Architecture of the Nineties: plans, models and sketches by Frank Gehry, Hans Hollein, Gustav Peichl and other contemporary architects. Ends Jan 31. Closed Mon
DRESDEN
Zwinger French porcelain in Dresden: 50 pieces dating from the visit to Paris in 1809 by August I of Saxony. Ends April 16. Closed Fri
Albertinum Jacques Callot: a collection of prints marking the 400th anniversary of the birth of the great French etcher from Nancy. Ends Jan 10. Closed Mon
DALLAS
Museum of Art Pissarro: 65 urban paintings from the years 1893-1903, devoted to subjects which the artist treated in a serial procedure, making subtle adjustments to his position in front of the motif and noting changes in weather, lighting and season. Ends Jan 31
FRANKFURT
Jahrhunderthalle Joan Miro: 100 etchings and prints from the period 1967-81. Ends Jan 10. Daily
Schirn Kunsthalle Edward Hopper (1882-1967): 160 paintings, watercolours and drawings by the realist painter of urban America. Ends Feb 14. Daily
Stadel Honore Daumier: 120 drawings by the great French 19th century cartoonist. Ends Jan 17. Daily
THE HAGUE
Mauritshuis The Mystery of a Ball Unravelled: the technical and historical investigation of a Flemish painting. An exhibition resulting from the museum's study of the Ball at the Court of Isabella and Albert by Frans Francken II, showing that this portrait of the Brussels court around 1610 originated in various phases. Ends Feb 21. Closed Mon
LAUSANNE
Fondation de l'Hermitage From David to Picasso: 200 paintings, drawings and sculptures covering 150 years, selected from the rich collection of the Musee de Grenoble. Among artists represented are Matisse, Gauguin, Modigliani, Renoir, Corot, Delacroix, Magritte and Ernst. Ends March 21. Closed Mon
Musee d'Art Contemporain Roy Lichtenstein: 70 works by one of the founders of the pop art movement, illustrating the different stages in his work over the past 30 years. Ends Jan 31. Daily
LEIPZIG
Museum der bildenden Kunste Ernst Ludwig Kirchner: 87 watercolours and drawings, many from private collections, covering the career of the German Expressionist painter. Ends Jan 31.
Also Rolf Szymanski (b1928): sculptures and drawings by the Leipzig-born artist now based in Berlin. Ends Jan 17. Closed Mon
LONDON
Royal Academy of Arts Sickert: 134 works from collections worldwide. Ends Feb 14. Daily
National Gallery Munch: The Frieze of Life. Advance booking through First Call 071-497 9977. Ends Feb 7.
Titian's Portrait of a Young Man, acknowledged as the most beautiful male portrait by Titian in private ownership, is now on show under a loan agreement with Halifax trustees. Daily
Barbican Border Crossings: 14 Scandinavian Artists. Ends Feb 7. Daily
Design Museum Scandinavian design in Britain 1930-70. Also New Directions in Scandinavian Design. Ends Feb 28. Closed Mon
Tate Gallery Grand Manner Portraiture in Britain from Van Dyck to Augustus John. Ends Jan 10. Also Turner's Use of Perspective. Ends Jan 31. Daily
MANNHEIM
Kunsthalle Manet: Moments of History, focusing on Manet's career as a political artist. Ends Jan 17. Closed Mon
MUNICH
Kunsthalle der Hypo-Kulturstiftung Frederick the Great: an exhibition illustrating the 18th century Prussian king's relationship with art and artists. Ends Feb 28. Daily
NEW YORK
Museum of Modern Art Matisse. Ends Jan 12. Closed Wed (Note that admission is by timed-entry tickets: call Ticketmaster 212-307 4545)
Metropolitan Museum of Art The Royal City of Susa: Ancient Near Eastern Treasures in the Louvre. Ends March 7.
Also Masterworks from Lille: 100 paintings and drawings spanning the period from the Renaissance to the 19th century, including celebrated works by Rubens, Goya, Delacroix, David, Courbet and others. Ends Jan 17. Closed Mon
Guggenheim Museum Robert Rauschenberg, the early 1950s. Ends Jan 24.
The SoHo site has the set of murals which Chagall painted for Moscow's Jewish Theatre in 1920. Ends Jan 17. The main museum is closed on Thurs, the SoHo site on Tues
PARIS
Musée d'Art Moderne de la Ville de Paris Figures du Moderne: 450 works by Kandinsky, Franz Marc, Nolde and other Expressionists. Ends March 14. Closed Mon, late opening Wed (11 ave du President Wilson)
Musée d'Orsay Sisley. Ends Jan 31. Closed Mon, late opening Thurs (quai Anatole France)
Grand Palais Picasso et les Choses. Ends Dec 28. Closed Tues, late opening Wed (ave du General Eisenhower)
Louvre Byzantium: 400 ivories, silks, enamels, manuscripts, icons and goldsmiths' work. Ends Feb 1. Closed Tues (Hall Napoleon)
Orangerie Les Nympheas Avant et Apres: the confrontation of Monet's waterlilies with canvases by Delacroix or Jackson Pollock brings out their shared lyrical abstraction. Ends Jan 25. Closed Tues (place de la Concorde)
Galerie Didier Imbert Fernando Botero: pastels, drawings, watercolours and small sculptures, complementing the display of monumental sculptures on the Champs-Elysées. Ends Jan 30. Closed Sun and Mon (19 ave Matignon)
Galerie Dina Vierny Vladimir Yankilevski (b1938): Russian artist whose paintings, dominated by self-portraits,have been exhibited in Germany and the US.Ends Feb 20. Closed Sun and Mon (36 rue Jacob)

FINANCIAL TIMES

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Friday December 18 1992

French franc and D-Mark

IS THE *franc fort* policy going to collapse? This hitherto unthinkable question is gaining greater force and in the process is becoming less and less unthinkable. Yet should the relationship between the French franc and the D-Mark fail, far more than just the exchange rate mechanism would be endangered.

The weakness of the French franc this month – the first such weakness since after the ERM's "Black Wednesday" – is not explained by the economic fundamentals. The problem is the slow growth imposed on France by the Bundesbank's disinflationary policies. French unemployment is expected to have risen in 1991, 1992 and 1993. Investors doubt whether the commitment to the ERM parity will stand the strain, especially with a parliamentary election due next March.

How can France respond?

Realignment would be folly. A small realignment would do nothing to lower French interest rates, while providing a trivial gain to competitiveness. A big realignment on its own might be still worse for interest rates, would destroy credibility and would improve economic performance too slowly. Waiting a few more months for lower German interest rates would be far more sensible.

Floating the exchange rate would allow lower interest rates. Given the sound fundamentals of the French economy, floating might lead to no more than a trivial depreciation, even with lower interest rates. The franc might even strengthen. Granting early independence to the Banque de France would reinforce that possibility. Yet floating the exchange rate, while economically justifiable, would destroy the logic of the Maastricht treaty. Given long-standing French detestation of floating exchange rates, agreement to a float is unimaginable.

Alternatively, the link with the D-Mark could be tightened. This would at least help lower French rates of interest to German levels. But that link could not be made more credible by France alone. The Germans would have to make an open-ended commitment to support of the franc. That, in turn, would demand a joint monetary policy, which would represent an immediate move to economic and monetary union (Emu).

Unfortunately for France, Germany will not concede Emu tomorrow, which leaves soldiering on as the least bad choice. This is not a hopeless course. German inflation is falling, as is German output. Provided monetary growth slows, German interest rates should also fall, perhaps quite sharply, during 1993.

Soldiering on has an important additional advantage. Up to now Mr Kohl has been able to have his pro-European cake and eat it. But if the French franc were in imminent danger of crashing out of its bands, he would have to make some choices. He could promise the Bundesbank the fiscal policy it demands before lowering interest rates; he could commit Germany to an immediate mini-Emu; or he could let the franc depart.

France is doomed to play its present risky game. It could yet be saved by German recognition that its closest ally cannot be allowed to fail.

Monopoly game

IT IS EASY to understand why the British government is setting up a national lottery. If people are keen to play a game which leads to cash being channelled to a variety of good causes, this has obvious attractions over raising money through direct taxation.

What is much harder to understand is why a Conservative government, which has pioneered privatisation and liberalisation, plans to set up the lottery as a quasi state monopoly. The experience of other industries from telecommunications to airlines is that state monopolies are inefficient, unimaginative and lead to the government controlling a larger proportion of national life than is desirable.

Advocates of the national lottery may say that it does not amount to nationalisation by the back door because operating it will be contracted out to the private sector. But the government will still pick the franchisee and the money for good causes will be channelled through a fund controlled by the National Heritage secretary.

Advocates of the lottery may also try to argue that it will not be a monopoly, because charities and local authorities are allowed to run their own small lotteries, while football pools provide punters with an opportunity for a flutter very similar to the one which will be provided by the national lottery. The snag is that both charity lotteries and the pools will be competing on a playing field tilted sharply in the national lottery's favour. The maximum prize for a charity lottery at £25,000 pales in comparison with the prizes of £1m and more that the national lottery will offer. Meanwhile, pools companies pay out roughly half their takings in tax and donations to good causes and are tightly regulated in how they can promote their games.

It would be far better for the government to throw open the market to any competitors which could show they would run lotteries honestly and fairly. Applicants could include pools companies, charities and perhaps even government departments.

At the same time, the government should create a level playing field. One way of doing this would be to set a standard tax rate of, say, 50 per cent on all lottery takings. Any donations to charities or other defined good causes would be fully deductible from this tax and the profit or loss (after donations, tax, prize money and administration costs) would accrue to the private operators.

One could expect three main advantages from such a competitive market in lotteries. First, the profit motive would drive down administration costs. Second, a free market would allow punters to choose where their money went by playing those games which sponsored their favourite causes. Finally, since the money for good causes would not flow through a fund controlled by a government minister, there would be no danger of the Treasury consolidating it into public funds at some future date.

Deal in the air

ALTHOUGH British Airways yesterday secured one big advance in its global strategy, the purchase of a stake in Qantas, the prospects are not bright for its plan to buy 44 per cent of USAir, the sixth largest American carrier.

The proposed deal is on Mr John Major's agenda for his talks this weekend with President George Bush, but the signs are that insufficient progress has been made at lower levels to permit the two leaders to provide the final push. BA and USAir have said the bid will lapse on December 24 if it is not approved by then.

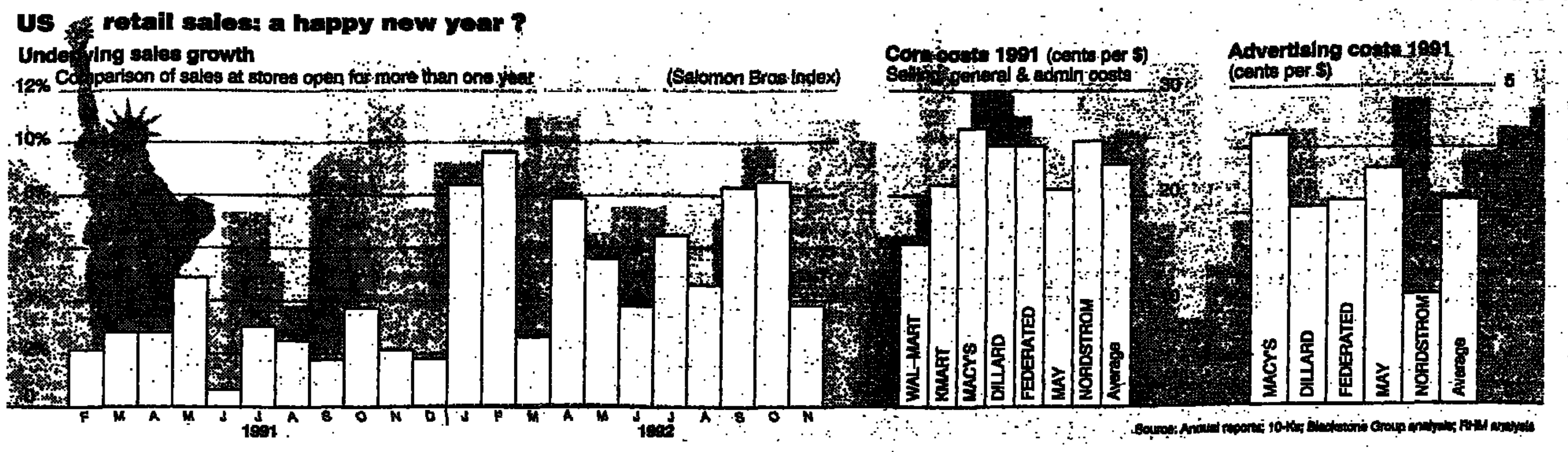
If the bid fails, it will be a pity. Opportunities to shift the logjam preventing Britain and the US from securing what they both say they want – a liberal agreement on transatlantic air services – do not present themselves every day. The UK government's desire to see BA establish itself in the US market should have been and perhaps still can be the occasion for Washington to prise open the British air market to the advantage of consumers in both countries.

The three largest American airlines have led resistance to the deal because they fear that BA, which is gaining increasing freedom to operate within the EC, is skilfully aiming to establish itself, from its powerful Heathrow base, as the world's leading airline.

This, they say, is not fair since US airlines are restricted in Britain and the rest of the EC. They also argue that the BA-USAir deal would be illegal in allowing effective control of a US carrier to pass into the hands of foreigners. This latter issue is of the type which makes lawyers rich, since both sides have a plausible case.

The UK's latest bid to advance the argument is to offer a three-stage liberalisation, first involving immediate access for US carriers to Britain's regional airports, conditional only upon approval of the BA-USAir deal. This would be followed by the opening up of transatlantic routes to Gatwick and Stansted airports, in return for the US easing its rules on foreign ownership of US airlines. Finally, at an unspecified date, the two countries would complete an "open skies" agreement, in which US carriers would have unrestricted access to Heathrow.

Although the US airlines have overstated their argument, there is no doubt that they have a case on the most crucial issue, access to Heathrow, where congestion is so great and BA's grip so firm that even a formal lifting of restrictions would not guarantee access to adequate take-off and landing slots. Although BA regards its Heathrow position as non-negotiable, Mr Major should not hesitate to place it on the table. If the BA-USAir deal can be the trigger for a big bang in liberalising transatlantic air services, it is worth fighting for. If not, not.



Source: Annual reports; 10-Ks; Blackstone Group analysis; RHM analysis

Not such a bleak midwinter

Many US retailers feel optimistic about the Christmas season, but the longer-term outlook is still uncertain, says **Nikki Tait**

Tony is selling Christmas trees on New York City's West Side docks in a makeshift stall he built just after Thanksgiving Day. Trade, he claims, has been steady so far. But suddenly a freezing sleet storm descends. "Just what we don't need," he mutters grimly, from the depths of a large sou'wester.

A Manhattan tree-seller is a minuscule part of the vast US retail sector, but such sentiments could have come as easily from the nation's largest store chains. They are putting a brave face on the holiday season – the month between Thanksgiving and Christmas Day, during which retailers make up to 40 per cent of their annual sales and 50 per cent of profits. But lingering hopes that 1992 would be the year when holiday shoppers returned in force have now largely been abandoned, and everyone is hoping that vagaries, such as the weather, do not work against them.

Even if the holiday season meets retailers' expectations, the longer-term outlook is mixed. On the plus side, the wave of bankruptcies and reorganisations in the late 1980s and early 1990s means that some companies are now more efficient, while pressure from the discount-store sector has forced all chains to examine their operating practices and cost structures. On the minus side, the retail industry is oversupplied with space, while consumer confidence, which is closely associated with the shaky jobs market, is at a delicate stage of recovery.

Progress for much of the past year has been patchy for the nation's shopkeepers. According to a Salomon Bros index, monthly same-store sales growth – that is, at stores which have been operating for more than a year – ranged from only 1.6 per cent to 9.6 per cent in the first 11 months of 1992.

Nevertheless, the figure has topped 5 per cent in seven of these months, a rate of underlying sales improvement not seen last year. Given that the US inflation rate has been less than 4 per cent all year, this suggests that some headway – albeit modest – is being made. By contrast, however, in the early 1980s comparable store sales growth during the Christmas period reached double-digit figures.

Individual retailers, releasing their own monthly sales figures, provide more details. After the weak 1991-92 holiday season, most started this year in fairly cheerful fashion – partly because their sales looked good compared with the same period of 1990-91 when the Gulf war was about to begin. Same-store sales growth flagged during the summer, but picked up with "back-to-school" purchases in September. It remained relatively buoyant in October and November.

Sears Roebuck, one of the largest and oldest US retailers, which sells everything from furniture to fashion, exemplifies the trend. In January and February, monthly comparable sales growth ran at 7 to 8 per cent, but by June and July the retailer was posting declines of 2.6 per cent and 2.2 per cent respectively. In August, matters turned positive again, and over the past three months there has been an average comparable store sales gain of almost 5 per cent – a revival which Mr Arthur Martinez, the new head of merchandise operations, described as an encouraging portent for the holiday season.

In the more specialised fashion sector, The Limited also moved from comparable sales gains of 9 and 5 per cent in the first two months of the year to declines in May, June and July. It, too, found autumn more clement, and by November underlying sales growth was 8 per cent.

In large part, this pattern can be attributed to trends in the US economy, rather than any retailing initiative. Unemployment rose early in the year, and then declined modestly in the autumn. Consumer confidence, which sagged mid-year, perked up last month. Consumer credit has been falling steadily; by October, instalment debt accounted for 16.5 per cent of personal disposable income, compared with 18.5 per cent three years ago.

But retailers are aware that results to date fade in importance compared with those achieved in the holiday season. This began encouragingly – despite the torrential rain which poured down on Macy's Thanksgiving parade. One of the largest US cheque acceptance companies – which verifies and guarantees cheque payments – calculated that day-after-Thanksgiving retail sales were up by about 5.1 per cent nationally.

Since then, the retail industry has been waiting expectantly – largely because, with Christmas Day falling on a Friday, the selling period starting at Thanksgiving is two days longer this year than last. And as Minneapolis-based retailer Dayton Hudson points out, this means that some promotional releases, in newspapers and other media, have been delayed. As a result, reliable assessments of trading cannot be made until after this weekend.

Even so, some geographical nuances are already apparent. Virtually all the "national" chains say that the west coast is proving to be worse than expected, while the south-east is beating expectations. Carter Hawley Hale, the Los Angeles-based fashion-store chain, which has just emerged from bankruptcy with an approved reorganisation plan, makes 87 per cent of its sales in California. Conditions, it says bluntly, are "extremely tough".

Macy's, the large New York-based department store group, sends the same message: Florida and Georgia are buoyant, and New York City and Washington DC are encouraging. But California remains "very poor", because consumer confidence remains even lower there than in many other parts of the country.

But even if, nationally, holiday sales growth turns out to be merely respectable, Wall Street expects many retailers to see more significant progress in profit terms. Most chains have assumed that holiday sales growth will be modest and have therefore ordered stocks conservatively. There are even tales of big catalogue operators scrabbling for merchandise, because there are not enough goods to go round.

Retailers also believe that price-cutting, although still prevalent, is slightly less fierce than a year ago. Nevertheless, savings of 40 to 50 per cent on a wide variety of merchandise were being touted by A&S, the east coast department store chain, and Macy's. Earlier in the season, some retailers concentrated on promoting modestly priced items. The classy Neiman Marcus catalogue, for instance, began with several pages of "gifts under $25" and "gifts under $50" – which bought anything from a cloisonné egg box to a leather compact disc carrier.

In addition, three years in a tough trading environment have made most store chains acutely conscious of their cost-base – they recognise the need to employ no more than the minimum of additional staff at Christmas, time promotions better, achieve better stock control and so on. "Even if they only get 3-4 per cent sales growth, I think it's going to be a good Christmas for most retailers," predicts Ms Barbara Wedelstaedt, analyst at McCarthy, Crisanti and Maffei, the high-yield securities specialist.

So, assuming there are no unpleasant surprises between now and the new year, does this mean that the US retail sector – which led the nation's economy into recession – is heading for a robust 1993?

Not entirely. First, most store sector analysts say that there is still an oversupply of retail space in the US. Although expansion has slowed since the 1970s and early 1980s, consultants at Deloitte & Touche calculate that retail space has increased by 17 per cent since 1985. "More space will have to go out of the market," comments Mr Irwin Cohen, a partner at Deloitte and chairman of the accountant's retail and distribution services group.

Again, this is partly a regional problem, and in certain areas the battle for space is still fierce. Only last month, two medium-sized discount retailers, Caldor and Bradlees, fought in a bankruptcy court for the leases on half a dozen stores formerly occupied by Alexander's, the now-defunct New York City department store group – a battle won by Caldor.

Second, although sizeable retail groups such as Federated Department Stores, Revco and Carter Hawley Hale have emerged from bankruptcy protection during the past 12 months after restructuring their operations and balance sheets, several retailers still have to complete this process.

Macy's, which filed for bankruptcy protection at the beginning of 1992, is perhaps the best known. The company recently presented a business plan to its creditors. It called for a leaner operational structure, more focus by specific stores on local customer demands, and sharper retailing techniques. Most retail observers warn that these measures will do little more than bring the group up to date with rivals such as Dillard, which employ more sophisticated retailing methods. Creditors, meanwhile, reckon that it could be another 18 months before the bankruptcy shield is shed.

But Macy's situation is better than that of a handful of other store groups. For example, Ames Department Stores, a general merchandise chain which now has 369 outlets, has floundered in bankruptcy for more than two years, closing more than 300 stores in the process. In the face of continuing losses, its board asked for the chief executive's resignation earlier this month as part of a management shake-up.

More fundamentally, perhaps, the challenge to the rest of the retail sector from the discount chains shows no sign of easing. Discount chains such as Wal-Mart and Kmart have significantly lower cost-structures and offer cheaper prices. Some observers, however, believe that the department stores have begun to get the measure of their opponents. Last autumn, these more traditional retailers ran limited, discount-chain-style promotions of "back-to-school" goods, to entice price-conscious shoppers into their stores.

Finally, even if the recession has ebbed in the US, retailers are not certain that consumer demand will pick up significantly next year. The optimists argue that households have been postponing spending decisions for several years, so that a large amount of "pent-up" demand is waiting to be released.

Some big retailers are much more cautious. "I see 2, 3, 4 per cent growth for the next couple of years," says Mr Joseph Antonini, head of Kmart. "I don't see a robust economy and the reason for that is the job situation. I think it's improving, but I don't think you're going to see 6, 7 or 8 per cent growth rates. As retailers we have to accept this and make money within that type of environment."

Serbia's stark choice

Sunday's elections could determine whether the Bosnian conflict spreads into a wider Balkan war, says **Laura Silber**

After more than a year of war and economic decline, Serbs are facing a choice between continuing international isolation and a chance for a fresh start.

Sunday's parliamentary and presidential elections in Serbia and Montenegro, which comprise the unrecognised Yugoslav federation, could determine whether peace can be returned to Bosnia; they could also determine whether the conflict spreads into a wider Balkan war.

The contest for Serbian president appears simple. Some 6.9m voters will chose between Yugoslav Prime Minister Milan Panic, the Belgrade-born California millionaire who promises peace and prosperity, and Mr Slobodan Milosevic, the incumbent. Mr Milosevic promises the same, but since coming to power in 1987 his aggressive territorial expansionism has led to the disintegration of the former Yugoslavia and pushed Serbia relentlessly into war and economic chaos.

If Mr Milosevic is re-elected, his policy of confrontation in Bosnia is unlikely to change, possibly provoking ethnic violence in Serbia itself. If Mr Panic is elected he will try – however improbably – to negotiate a peace in Bosnia by disavowing Mr Milosevic's ambitions of creating a "greater Serbia".

The alternatives facing voters should therefore be clear. But in Serbia's distorted political landscape, where paranoia and a sense of victimisation prevail, the race is wide open.

Amid mounting international demands to prosecute Serbian leaders as war criminals for their "ethnic cleansing", Mr Milosevic will cling to power at all costs. If he fails to gain the 50 per cent majority required to win outright in the first round of elections, western diplomats fear Mr Milosevic will provoke ethnic violence in Serbia to rally Serbs around him. If he is defeated in the run-off, he could refuse to cede power and unleash a wave of violence which could spill into Kosovo in southern Serbia where Serbs and ethnic Albanians are in conflict, and even beyond the rump of Yugoslavia.

Clashes in these regions could draw in neighbouring Albania, Macedonia or Hungary, and could even touch off a chain reaction eventually affecting Greece and Turkey. By stoking unrest, Mr Milosevic would be throwing down a blatant challenge to any successor regime.

If Mr Milosevic and his so-called Socialists [the former communists] with their ultra-nationalist allies win a controlling majority in parliament, the war in neighbouring Bosnia will continue and ethnic cleansing will gain momentum in Serbia.

The Serbian president can call on the support of officials, police and bosses of state companies who will lose their jobs if he is defeated. Well-armed fighters loyal to the Serbian president stalk the streets of Belgrade with impunity. If Milosevic's regime is deposed the tens of thousands of paramilitaries would join the 40,000-strong Serbian police force in its defence. The top echelon of the Yugoslav army has given support to the federal government in Belgrade under Mr Panic.

State television is Mr Milosevic's most important weapon. Praise for the Serbian president, coupled with vicious attacks on Mr Panic, have bolstered Mr Milosevic and spread the notion that his rival is a CIA agent, conspiring to tighten United Nations sanctions and give away Kosovo – seen by Serbs as the seat of their civilisation – to Albania.

Few know of Mr Panic's dynamic campaign, partly because independent television, the only service to which he has access, does not broadcast beyond Belgrade. He tells cheering crowds he will make them rich, so he can hand over their taxes to the state. This slogan would not win voters in the west, but it offers a semblance of normality in a climate of fear.

Predictably, state television paints a fanciful picture of Serbia's economic recovery under the embargo. Mr Milosevic fills the screen each night, boasting of oil discoveries and defiantly pledging that Serbs will never bend to the will of the international community.

Except for a flourishing arms industry, the real economic picture is a grim contrast with Mr Milosevic's claims. Living standards have plummeted and industry is on the brink of collapse. Inflation is running at 30 per cent a month and the average monthly salary is about $60, a tenth of what it was five years ago in real terms. In an effort to lure voters, workers have been given holiday bonuses, and pensions have been paid out in full for the first time in many months.

Before the election campaign, the Serbian opposition, disorganised and quarrelsome, had been a thin reedy voice, defending itself against the charge of betraying Serbia. Now, Depos, the main opposition coalition, and the Democratic party, a centrist group, have rallied behind Mr Panic but they, too, suffer from lack of access to the state media. The opposition, working on a shoestring budget, is optimistic, however, saying they will split the vote with the Socialists.

Opinion polls, many of which are unreliable because polling is still undeveloped, predict Mr Panic will coast to victory on the back of support in the opposition stronghold of Belgrade and a few other cities and among national minorities, which make up a third of Serbia's population.

For all the risks of civil war, the stark choice facing Serbia is embodied in Mr Panic's campaign slogan: "It's now or never."

Joe Rogaly

It's a wonderful life

After snatching defeat from the jaws of victory, Major's new year prospects look surprisingly rosy

Mr John Major's political career looks far more promising this Christmas than it did a year ago. Oh yes it does. A brief recapitulation will make the point.

In December 1991 the prime minister was rightly given credit for his part in negotiating the then newly minted Maastricht deal. Against all expectations, he achieved terms that had been agreed in advance by the entire cabinet. He thought that the package had therefore been pre-sold to parliament and the people. It was, he said, "game, set and match" for Britain. That should have given him a warm glow. If so, it did not last. Before Christmas day dawned Mr Christopher Patten, then chairman of the Conservative party, had warned Mr Major that he could lose the forthcoming general election.

What was worse, the Treasury thought so too. The contest could not be postponed for more than six months. There was scant reason to assume that the recession would end before the government's time was up. Without some indication that an economic upturn was on its way the Conservatives' chances of survival seemed to the party's leaders to be slim. There was no precedent for a fourth election victory in a row. It did not look like one would be set in 1992. Labour was apparently more popular than it had been since 1979. Its leader, Mr Neil Kinnock, was confident; its shadow ministers looked like winners. In contrast, the government appeared tired, devoid of new ideas, ready to be replaced after nearly 13 years in office.

We may therefore conclude that the prospect for Mr Major last Christmas must have seemed awful. It was just a year since he had stepped into Number 10 Downing Street. The prime minister had conducted himself well during the Gulf war, but had achieved little else, apart from the necessary abolition of the poll tax. Losing the election would cost him his job as Conservative leader. He faced an ignominious end to a brief spell as the unknown prime minister. If history remembered him for anything, it would be for failing his party.

As we know, the nightmare did not come true. The triumph was Mr Major's. On April 9 the electorate demonstrated, conclusively, that it would not contemplate a Labour government, not even one formed by Mr Kinnock's remodelled party. Less than 35 per cent of the votes cast were for Labour. That is a smaller proportion than was achieved after the winter of discontent in 1979. No wonder it now looks like the party of permanent opposition. Even a Clintoneque change of policy following a report from the its new Commission for Social Justice might not save it. The Tories scored a fraction under 42 per cent in April, virtually the same as in 1987 and 1983. The events of the recent *autumnus horribilis* aside, theirs is now becoming the party of permanent complacency.

This simple arithmetic transformed the outlook for Mr Major. He became Conservative prime minister in his own right, not merely the fortunate victor of a party leadership contest. He could appoint his own cabinet, promote his own policies, and lead Britain towards Europe in the manner of his own choice, rather than that of his predecessor. He could look forward to being prime minister in the year 2000, presiding grandly over celebrations financed in part by the proceeds of the new national lottery announced yesterday.

He can still do so, in spite of everything that has happened since the election. His reputation has been torn to shreds during the 13 weeks since Black Wednesday, but he is still there. To those who live by power, that is what counts. Mr Major continues in possession of the levers uniquely available to a British prime minister – the patronage, the ability to make or break the careers of his colleagues, the loyalty of (most of) his party. His popularity has vanished, but much of it can be won back. His authority has dwindled, but most of it can be recovered. He can repair his reputation, if not completely, then in sufficient measure for him to be able to do his job.

His success in Edinburgh last weekend may have closed a chapter which, in time, could shrink to a footnote

More to the point, he can assume that most people will feel better off next Christmas. When the measures of economic optimism are once against positive, some of his popularity will be regained. The press has (so far) failed to dislodge the chancellor; for his part Mr Norman Lamont, who looks understandably tired, can tell himself that the economic cycle has not been abolished, that the September 16 devaluation, plus lower interest rates, plus a US recovery, must have a beneficial effect on the British economy.

Most of Mr Major's colleagues believe that the government's recovery began six weeks ago, following the prime minister's parliamentary victory by a majority of three in the celebrated vote on the bill to ratify the Maastricht treaty. If you accept this, the period of maximum demoralisation is seen to have been only seven weeks. It began when Britain fell out of the exchange rate mechanism on September 16 and ended on November 4, when the Tories scraped home late at night in the Commons. During all that time no minister or official apologised for the sudden collapse of the government's European and economic policies. The administration has simply reasserted itself. If fate has no more shocks in store, Mr Major's second Maastricht success, in Edinburgh last weekend, will be seen to have closed a chapter that, in time, could shrink to a footnote.

Yet we have all, the prime minister included, learned a great deal. Mr Major and his colleagues have been given the roughest possible lesson in the realities of governing with a majority of only 21. Since any dozen Tories can, in cahoots with the opposition, topple the government, the Cabinet must proceed with caution. This suits Mr Major's temperament. The chancellor's Autumn Statement introduced a cautious incomes policy for public sector workers, with hopes of a knock-on to the private sector. It threw in a timid U-turn towards an industrial policy. When Mr Michael Heseltine has completed his review of pit closures it will doubtless contain a careful reference to "energy policy", an interventionist phrase until recently abhorred by Tory ministers. Social security remains sacrosanct, and uncut. Thus have Mr Major's Conservatives moved to the left of, say, Mr Bill Clinton's Democrats.

The country now perceives the prime minister's principal weaknesses, which include a stubborn defence of what has become indefensible, a reluctance to move ahead of his party, and an assumption of grandeur combined with a deficiency of grand ideas. It is also aware of his strengths, which lie in the area of one-to-one negotiations, deal-making, attention to detail, and willingness to consult his colleagues. Once the unknown Mr Nice Guy, Mr Major has become the all too well-known flawed politician. He cannot be cast in the heroic mould of his predecessor, which is a great relief. He is down to size: an ordinary chap who made a dreadful mess of his extraordinary job a month or so ago and is now recovering. We are getting to know him better. That is just as well. He could be around for many more Christmases to come.

LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Carlton TV committed to current affairs

From Mr Peter Ibbotson.

Sir, As a one-time member of the This Week production team, I share some of Christopher Dunkley's sadness at the passing of the programme ("Sad goodbye to long-term survivors", December 16). A pity, though, that despite information made available to him on This Week's final edition, he sketches a less-than-accurate picture of the plans of Carlton, which takes over from Thames on January 1.

The Good Sex Guide is *not* Carlton's "top-ranked" factual programme. As he knows, the major current affairs programme which we will supply to ITV is Storyline, commissioned from a former World in Action producer of considerable experience. It will be broadcast at 19.30 on Thursdays for the first seven weeks of 1993, returning later for a further six editions, and we hope thereafter on a more regular basis. That decision is for the network, and not for Carlton to make. And the Cook Report has *not* been scheduled *for this slot.*

Last, it seems that nostalgia breeds anachronism. It is a long time since any UK current affairs programme found it editorially or financially sensible to base its agenda on flying out crews "to cover any trouble spot in the world". As successive editors of Panorama and This Week have discovered over the past 15 years, the revolution in satellite news-gathering and the multiplication of other news-based factual programmes have made instant reaction a rare feature of the flagship titles.

That is, of course, part of a broader debate about the role and scheduling of factual programmes. Suffice it to say that Carlton has every intention to offer current affairs programming of quality and substance from January 1993.

Peter Ibbotson,
director of corporate affairs,
Carlton Television,
101 St Martin's Lane,
London WC2N 4AZ

Zero rating would unlock cash and cut out red tape

From Dr Bernard Juby.

Sir, The government could unravel a veritable Gordian knot of red tape (The Growing Business: "Untying the tangle of red tape", December 15) by extending the principle of zero rating value added tax on imports from EC member states – due to be introduced on January 1 – to credit transactions between registered traders in the UK.

This would not only unlock the many millions of pounds currently churning back and forth in the system (since the only time that Customs and Excise collects *and keeps* the money is at the final point of sale to a non-registered trader) but would also radically reduce the potential fines, penalties and imprisonment currently inherent in the system, even for simple, unpremeditated error.

Who knows, the money thus unlocked could even help to stimulate Britain's sluggish economy.

Bernard Juby,
chairman, trade and industry policy unit,
Federation of Small Businesses,
140 Lower Marsh,
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London SE1 7AE

Prof Godley's uncanny record of economic forecasting

From Mr Andrea Boitho.

Sir, Professor Wynne Godley's forecasting record stretches beyond having been uncannily right about Britain's balance of payments, unemployment and growth in the 1980s (Monday Interview, December 14).

In 1972, when editor of the OECD's Economic Outlook (and hence responsible for forecasting), I was visited by Prof Godley, who predicted that the OECD area would soon face a massive term of trade deterioration, with serious consequences for inflation and real incomes. The hypothesis struck me, and several of my colleagues with whom I checked it, as utterly implausible – the terms of trade had hardly moved for some 15 to 20 years and even if they were going to worsen on this occasion, the impact of any change could only be small.

I wish I had listened to him *– the OECD secretariat would* have been able to warn member countries more forcefully of the impending 1973 inflation instead of underestimating it by the then very large margin of nearly 4 percentage points.

Andrea Boitho,
fellow and tutor in economics,
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Statistical change-over

From Mr W McLennan.

Sir, I would like to correct some impressions given in Economic Viewpoint (December 14) about trade statistics.

First, Intrastat, the new trade system, is a European Community-wide system developed by the European Community. Decisions were taken Community-wide not to overlap the new and the old customs-based trade statistics systems. The reason for doing so was not to impose a very onerous reporting burden on the bigger companies which will now be filling out the monthly trade statistics returns.

Second, it is grossly unfair to infer that this decision not to overlap the two systems is in any way related to what has happened to the UK economy at the moment. I simply draw your attention to the fact that this pause in publication of economic trade statistics was first announced in February this year.

Third, to be certain that statistical returns of the Intrastat system are complete and accurate, the period up to June will be used to check intensively that the data meet our usual high-quality standards, includ*ing checks against equivalent* VAT returns. If other member states actually do publish statistics before the UK, users would be advised to check their quality very carefully.

W McLennan,
director,
Central Statistical Office,
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London SW1P 3AQ

Merit of positive manufacturing trade balance

From Mr Michael Wilmot.

Sir, In a detailed account just published of policy changes which have taken place since sterling's exit from the ERM, the Treasury states that, prior to this, there was a clear and unambiguous target for policy to aim at – sterling's position within its ERM bands. Now, though, the new regime is of necessity more judgmental.

I have two points to make:

- It was not true that the unambiguous target for policy was sterling's position within its ERM bands. The unambiguous target was the reduction of inflation, and the method used was the holding of sterling's position in the ERM bands.
- It is not true that the new regime has to be of necessity more judgmental; indeed, it is especially important now that a new clear goal for policy is put in place.

It has been heartening to see that the regeneration of manufacturing in Britain is now almost on the government's agenda, but it is too vague a goal currently stated.

I suggest that what is required is a new central objective to create a positive and sustainable trade balance in manufacturing by the end of this parliament. The merit of such a target is that, as the trade balance improves, so will money market perceptions of sterling improve, in turn leading to a reduction in inflation as sterling improves.

Michael Wilmot,
38 Beaufort Gardens,
London SW3 1PP

OBSERVER

Busting the opposition

■ Elections in east Asia are assumed to be very much male affairs. Hence no surprise that posters for the seven presidential candidates in today's South Korean election depict one middle-aged politician after another – all short hair-cuts dressed in business suits.

The only hint of femininity in the placard for Kim Ok-sun is her pink tie. A former opposition MP, the 58-year-old Kim is making history as the first woman to run for president in her country. Ever since she entered politics in the 1960s, she has donned masculine attire in an attempt to blend in. "Men's suits and ties are the uniform of politics," is her view.

Contrast the approach of Hsu Hsiao-dan, a candidate in parliamentary elections tomorrow, this time in conservative Taiwan, where breasts – her own – have featured at the forefront of her campaign, which is running the slogan "let Taiwan be as firm as my breast and politics as honest as my body".

Accused by an opponent of having starred in a pornographic movie, Hsu exposed a breast at a political rally to demonstrate she did not have the film star's prominent mole. In her first, unsuccessful, election race in 1989, she bared her breasts for democracy more regularly, but has since toned down the act. However, she still pledges to strip off in parliament if it would aid the passage of a bill.

Easy come

■ So what does the man who beat Europe's central banks during the autumn currency crisis do with his money?

Today George Soros, the Hungarian-born American financier, will give away $50m to help Bosnia. It will be administered by the UN High Commissioner for Refugees.

While it is impossible to think of a more generous single donation by a private individual, the sum of money is overshadowed by the profits that Soros and his fellow investors are rumoured to have made on Black Wednesday. Forbes magazine estimates that Soros made $1.5bn in September's currency upheavals by selling $7bn of sterling short and buying $6bn of D-Marks.

Gafta's new pew

■ After three moves in one year, the UK's grain and feed merchants have found a final resting place for Gafta, their trade association – a disused 150-year-old chapel on the outskirts of the City of London. Unfortunately, the symbolism of this week's grand opening was spoiled when John Gummer, Britain's saintly minister of agriculture, failed to turn up. He was detained on EC business and left it to one of his deputies, Earl Howe, to give the blessing.

Dreaming spiral

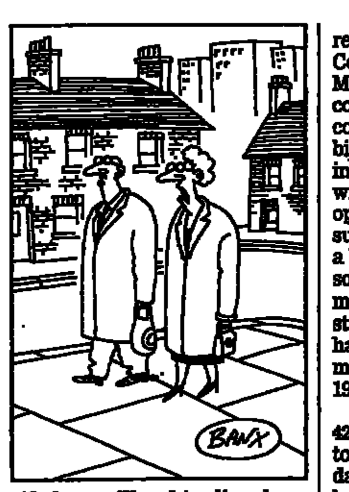
■ Oxford must be mortified by the Universities Funding Council's assessment of research quality. Oxford lags far behind Cambridge, and barely nosed ahead of University College, London, in the number of its centres judged to be conducting research of an international standard.

The dreaming spires house the largest history and French departments in the country. Both are judged inferior to their Cambridge counterparts. Oxford's historians are even ranked behind the hoi polloi at Birmingham.

In politics and international relations, Oxford is outscored not just by the LSE and King's, London, but by Essex, Hull and Manchester. It is a similarly sorry tale in sociology, statistics, music, agriculture, education and business/management studies.

Cherwell sources were quick to point to excessive teaching loads, and were none too polite about the assessment exercise itself. They may have a point there.

Alas, whingeing will not get the Campaign for Oxford far in its quest for business and alumni millions. Perhaps the accumulated reserves should be spent on a Brummie historian or two ...



'Only one illegal trading day till Christmas'

Family affairs

■ Minorco may be a publicly *quoted* company but it has been wrestling with a common family problem for some time – whether to choose Harry Oppenheimer's former son-in-law or his godson to run the business.

Harry O is 84 and long since retired from Anglo American Corporation, which controls Minorco. But his family company still effectively controls Anglo, South Africa's biggest business, and no important decision is taken without sounding out his opinion. So it would not be surprising if the old man had a hand in ensuring that former son-in-law Hank Slack, 41, is made chief executive of a streamlined Minorco. Slack has been chairman of its management committee since 1989.

Roger Phillimore, a 42-year-old godson, has decided to call it a day and go off "to dabble in the arts", something he has long wanted to do. Tony Lea, who along with Slack and Phillimore, had been dispatched from Anglo in 1988 to shake up Minorco, has been offered a job back at Anglo's headquarters in Johannesburg.

The three young Turks arrived at Minorco with a bang – making a £2.9bn bid for Consolidated Gold Fields. But after this failed, they lost their adventurous spirit. Minorco's shares remain at a discount of about 40 per cent to net asset value – the same ratio as when they started out. Having, in effect, three managing directors couldn't have helped.

No comment

■ In search of an economical way of preparing your Christmas gifts in this recession-hit year? Homes and Gardens magazine has a festive tip in its January edition: "Try using pages of the Financial Times tied up with upholstery webbing for a stylish and economical wrapping idea."

According to Observer's calculations, using the FT for wrapping paper works out at around 3p a sheet, or less than half the cheapest available on London's Oxford Street.

FINANCIAL TIMES
Friday December 18 1992

French try to keep a cool head as the franc falters in the ERM

James Blitz in London and Alice Rawsthorn in Paris on the bid for parity

THE French government yesterday issued a strong rallying call in defence of the franc's existing parity against the D-Mark, but decided not to raise official interest rates.

Mr Pierre Bérégovoy, the French prime minister, told a news conference in Paris, at which he was expected to announce an interest rate rise, that the existing parity against the D-Mark, was inviolable.

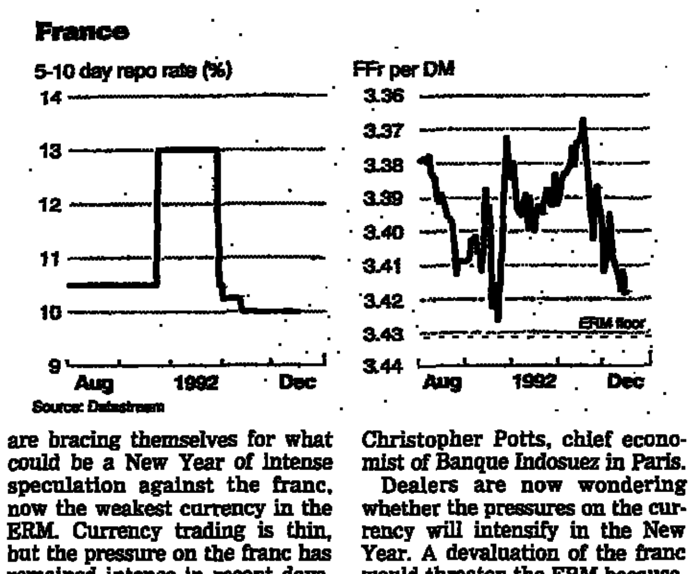
"This government must keep its cool," he said. "I am absolutely against any talk of devaluation or of floating the European currencies."

In Frankfurt Bundesbank President Helmut Schlesinger said he still saw no reason to change European exchange rate mechanism parities involving the French franc. He added, however, that it was up to each country to take care of its own currency.

The franc, which has fallen this week to within one centime of its ERM floor against the D-Mark, slipped momentarily against the German currency yesterday.

The French government has for five months defended the "franc fort", the cornerstone of its economic policy, against intense currency speculation.

But Mr Bérégovoy's words could not mask what one dealer called the franc's "significant loss of credibility" in recent weeks. Some analysts believe that a devaluation of the franc is a possibility next year. The move would seriously damage the ERM, whose cornerstone was the fixing of the D-Mark and franc parities in 1979. It might even call into question the entire project of European Monetary Union, of which the ERM is the foundation.



Source: Datastream

Some foreign exchange dealers are bracing themselves for what could be a New Year of intense speculation against the franc, now the weakest currency in the ERM. Currency trading is thin, but the pressure on the franc has remained intense in recent days. Yesterday, the currency dipped below the FFr3.42 level against the D-Mark, a centime above its ERM floor of FFr3.4305.

The currency has also fallen this week through the critical level of minus 75 percentage points on the ERM's "divergence indicator". This measures a currency's relative strength against the Ecu. Once a currency has reached this level, it is presumed that its central bank should defend it by intervention and by raising interest rates.

Currency pressure has also forced France's state-owned banks to raise base rates by 0.55 percentage points in the wake of rises in money market rates. "The French government is clearly concerned about industrial confidence and would like to stimulate investment, so the base rate increase is a blow," said Mr Christopher Potts, chief economist of Banque Indosuez in Paris.

Dealers are now wondering whether the pressures on the currency will intensify in the New Year. A devaluation of the franc would threaten the ERM because, by all reasonable standards, it should not be taking place.

On the economic fundamentals, the franc should be a candidate for revaluation against the D-Mark. France's year-on-year consumer price inflation is 2.1 per cent, well below western Germany's level of 3.7 per cent. France also enjoys a healthy annualised trade balance of FFr4.71bn.

Germany, meanwhile, appears to be entering a serious recession. The Ifo institute claimed this week that German GDP could fall by 0.5 per cent next year.

However, the franc is falling victim to the same belief in the inviolability of the D-Mark that was at the root of the September currency crisis.

"The German currency is being bought by dealers not because of the economic fundamentals, but because of the belief that the German currency will never be devalued," says Mr Paul Chertkow, global currency strategist at UBS Philips and Drew in London. Consequently there is no risk in investing in three-month D-Marks.

Compounding the faith in the German currency is uncertainty that the French government can go on defending the franc's existing parity by raising interest rates. A further tightening of monetary policy would be uncomfortable, since French unemployment is at 10.4 per cent.

Miss Alison Cottrell, an economist at Greenwell Montagu in London, believes that the unwillingness to raise official interest rates may create tensions between the Bundesbank and the Bank of France. She believes the Bundesbank will support the franc through intervention only if France plays by ERM rules and tightens monetary policy first.

Mr Chertkow, of UBS Philips and Drew, is more optimistic. However, he also believes that there is a 30-to-40 per cent chance that market pressure on the franc will overwhelm the combined efforts of the Bundesbank and Bank of France next year.

In this situation, France and Germany will resort to temporarily suspending the ERM for a limited period.

"Devaluation would be the death-knell of the system," he says. "But a suspension of the ERM would allow the market to determine what the fair value for currencies is."

Editorial Comment, Page 14
Government bonds, Page 21
Currencies, Page 26

THE LEX COLUMN

Bad checks at Barclays

It almost beggars belief that a once great bank like Barclays could have run up an exposure of £440m to a single customer on the basis of little more than an expectation of indefinitely rising property values. Had its loans to Imry been syndicated, the bank would not be in the embarrassing position of making a £240m provision – enormous by any banking standard, except perhaps on sovereign debt.

If the recriminations are likely to reverberate, the bank has at least found an orderly way of sorting out the mess. Having written off the money it lent to Marketchief to buy Imry in 1989, it is left with an exposure of £176m to a property company with sound management, net assets of £70m and a portfolio worth about £300m which is pretty well fully let. Since Barclays is now the beneficial owner of Imry, it stands to benefit from any property market recovery.

Liquidation would have been a more likely result had Imry borrowed from a syndicate. Cynics would say Barclays, too, could have chosen this route but it would then have had to make an even larger provision. It may look silly yet again if the property market continues to fall, though the existing provision covers a quarter of its remaining exposure.

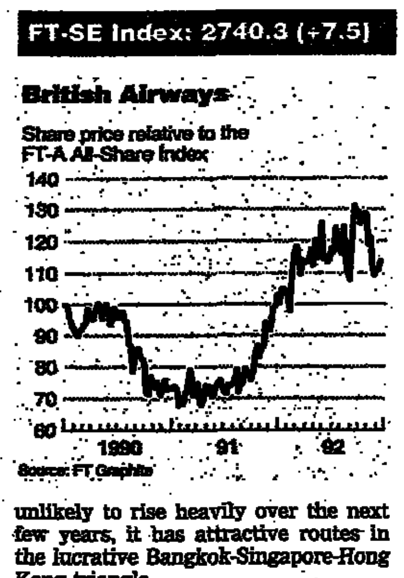
Besides, there are some more immediate consequences. To restore confidence in its management, Barclays must find a banker of stature to work alongside Mr Andrew Buxton. Its 1992 dividend decision has also become even more agonising. The £165m provision to be charged in the current half is larger than the market had generally expected. Since there has been no discernible improvement in the lending climate since Black Wednesday, provisions may tip the bank into pretax loss for 1992 instead of allowing a small profit. That would make a maintained payout harder to justify.

British Airways

British Airways is flying high in its quest to be global. The airline's victory in the auction to buy 25 per cent of Qantas is a welcome fillip, although bad news about its proposed $750m investment in USAir may sour the party.

Qantas is undoubtedly desirable. It has a productive young fleet compatible with BA's. It still has to squeeze significant benefits from its acquisition of Australian Airlines. And although Qantas's European traffic is

FT-SE Index: 2740.3 (+7.5)



Source: FT Graphite

unlikely to rise heavily over the next few years, it has attractive routes in the lucrative Bangkok-Singapore-Hong Kong triangle.

But BA is paying a full fare. A cash outlay of £291m looks expensive for an investment that would have generated profits of just £9m last year, before financing costs. The deal is likely to be dilutive before contributing usefully by 1995. BA is in for the long haul. It helps, though, that the Australian government's A$1.35bn recapitalisation plan for Qantas will sweeten the national carrier's profits by about A$120m.

As for the USAir deal, that appears to rest with Mr John Major's negotiating skills over the weekend. If the two deals were to come off, BA's debt-to-capital ratio would rise to nearly 70 per cent which is close to its limit. A rights issue at the current stage of the cycle would represent poor timing. But airline industry investors must have realised by now that unpredictability is its only certainty.

Pension Funds

Regardless of the compensation scheme eventually recommended by the Goode committee, a minimum solvency requirement for pension funds is sure to follow. The limited compensation scheme proposed by the National Association of Pension Funds yesterday does not actually require underpinning by a solvency standard. But a safety net which also covered poorly-managed pension funds most certainly would. The *NAPF is not* alone in conceding that a solvency standard is overdue. The danger is this could be a double-edged sword.

Solvency tests which assume the pension fund continues to operate are hardly adequate. Measures based on the fund's ability to cover benefits in the event of winding up are closer to the mark. For example, Professor Goode might demand – as actuaries traditionally have – that pension funds can cover minimum benefits if there is a winding up by buying annuities. But should the cost of annuities rise – as it has since 1990 because of the parlous state of the insurance industry – pension fund managers would have to change investment policy. That might mean buying bonds to safeguard capital at the expense of long-term performance.

Alternative tests might be a better bet, such as one which demands assets are available to protect minimum benefits if members switch to personal pensions in the event of winding up. But any guarantee of solvency will carry a price. The challenge is to find a measure which safeguards minimum standards without putting potential benefits at risk.

Currencies

Mr Pierre Bérégovoy's verbal support for the franc yesterday was, curiously, not reinforced by any move on official lending rates. Perhaps the pressures in a thin pre-Christmas market are not great enough to warrant a more robust response. The success of any defensive move depends heavily on choosing a time when a squeeze on the speculators will inflict most pain.

Then again, Germany is also under pressure. If France decided it could not take any more deflation, it would be more likely to suspend its ERM membership than just to devalue. The former course would be the only way to regain freedom over interest rate policy. But the French fundamentals are better than Germany's in so many ways - inflation, growth, current account and public finance - that, after a while, the franc could start to appreciate against the D-Mark. The cherished image of the D-Mark as the European currency which never depreciates would then be shattered.

Even the Bundesbank might prefer to cut rates rather than be blamed for the collapse of the ERM, not to mention damage to the Franco-German relationship. The timing, though, remains delicate. It would take a *significant Bundesbank relaxation to let* France off the hook before its elections in March. The foreign exchange market may decide to have a go anyway.

EC takes final steps towards a single market

By Andrew Hill in Brussels

EC MEMBER states gave the final impetus yesterday to a barrier-free European market and made preparations for lifting border controls on goods on January 1.

In their last meeting before the market is formally opened, EC internal market ministers agreed 12 measures, bringing the total of 282 measures to just short of the full programme of single market legislation proposed in 1985.

But European consumer groups are complaining that there will be no genuine free market for EC citizens because of gaps, inadequate redress mechanisms and delays in implementation of existing legislation.

In a report issued yesterday the Bureau Européen des Unions de Consommateurs, the European consumers' organisation, warned that "substantial barriers" remained, and said there was a risk that safety and quality standards would be lowered.

Mr Karel Van Miert, EC commissioner responsible for consumer policy, admitted there were still some omissions, particularly in the field of consumer protection, but added: "It would be unfair to say that what has been done isn't, globally speaking, in the interests of consumers."

The measures agreed yesterday included legislation which should open up a Ecu15bn (£12bn) market for "medical devices", ranging from condoms and bandages to X-ray machines and surgical instruments. National officials said that by value it was the largest remaining gap in the market. The new system will lay down mandatory requirements on safety and performance and do away with national controls.

Ministers also formally agreed the establishment of an EC medicines agency which will centralise authorisation of new specialised medicines. It will be possible to market ordinary medicines throughout the Community on the basis of authorisation by a single member state.

Frontier controls on goods should be lifted on January 1, in spite of the fact that a definitive system for monitoring the free movement of certain products will not be in place – notably works of art and "dual-use" goods, which could be used in military or civilian fields.

● The Commission said yesterday it would look into French complaints that non-EC countries discriminate against Community telecommunications equipment manufacturers, although legislation opening up the Community market for public contracts is still likely to come into force on January 1.

Nato divided over strength of action needed on Bosnia

By Robert Mauthner in Brussels

FOREIGN MINISTERS of the 16-member Nato alliance last night reached a shaky compromise on further action to be taken against the Bosnian Serbs, but their final declaration papered over deep differences on the nature and severity of that action.

The declaration said the United Nations Security Council would "shortly consider" the adoption of a resolution on the enforcement of the ban on military flights, which France originally hoped to propose on Sunday or Monday.

But, following tense talks between ministers meeting without their officials, the declaration became much weaker in its final version than originally intended by a small group of countries led by France and the US.

Britain and other countries were instrumental in inserting the proviso that a UN resolution on the enforcement of the flight ban should "bear in mind the need to continue the current humanitarian effort in Bosnia".

However, Mr Lawrence Eagleburger, US secretary of state, warned that humanitarian aid might have to stop if the UN took steps to enforce the ban.

Britain had earlier warned that military action against the Bosnian Serb militias could provoke attacks on aid convoys.

A further note of restraint was struck in the subsequent phrase that "should such a resolution be adopted, and should violations [of the flight ban] continue thereafter, we would be prepared to support the UN in enforcing that resolution." That fell well short of the calls for action which had been voiced by some countries.

Earlier in the negotiations, Mr Roland Dumas, the French foreign minister, supported by his US, Dutch and Turkish colleagues, proposed that the Security Council should vote as early as Sunday or Monday on a tough resolution enforcing the no-fly zone in Bosnian air space, imposed by the council in October.

However, the 12 other Nato members opposed any military steps which could endanger the lives of troops of the UN protection force and humanitarian aid workers and prevent aid convoys from reaching their goal.

Those countries supporting military measures all said they were thinking in terms of action by aircraft. All members of the alliance agreed that the enforcement measures should not involve new ground troops.

Mr Radovan Karadzic, the Bosnian Serb leader, warned in a letter to the UN of retaliatory action should the flight ban be enforced by military measures.

Palestinians quit peace talks

Continued from Page 1

ories, Mr Rabin added: "We chose the way which involves the least violation of human life and property." The High Court panel backed his decision by 5-2.

Palestinians said the expulsions went beyond the harsh policies of the previous government led by the hardline Likud party and undermined the credibility of Mr Rabin's commitment to the peace talks.

The decision was supported by ministers from Labour's left-liberal Meretz coalition partners who had strongly opposed the 66 previous deportations carried out during the five years of the Palestinian uprising, or Intifada, in the occupied territories.

They said the move against Hamas, which opposes the peace talks, would strengthen the position of the Palestine Liberation Organisation to continue the talks after the Clinton Administration takes over in January. But Mr Ghassan al-Khatib, from the Palestinian delegation, said it would be hard for his colleagues to return to the negotiating table.

New German takeover rules

Continued from Page 1

ment of shareholders. He said that companies should agree to disclose stakes when they reach 5 per cent. German banks should also agree to be bound by an equal obligation to identify stake-building in German companies.

"It would cost very little for companies to comply with such proposals, in relation to the damage that is done to the equity market as a result of the current state of affairs," he said. "The general perception of the public is that shareholders are not held in great esteem. This would help rebalance everything in the direction of shareholders. We need something to show that the shareholder matters."

Mr Strenger's remarks reflect his concern, as head of Germany's leading provider of investment funds to private individuals, that Germans are averse to investing in equities. The number of German shareholders is much lower than in the UK or the US as Germans prefer buying bonds – only 10 per cent of DWS's DM58bn portfolio is invested in equities.

World Weather

		°C	°F
Ajaccio	S	15	59
Algiers	F	14	57
Amsterdam	C	7	45
Athens	F	12	54
Bahrain	R	23	73
Bangkok	F	31	88
Barcelona	F	11	52
Beijing	S	4	39
Beirut	S	13	55
Belfast	F	7	45
Belgrade	S	5	41
Berlin	S	3	37
Biarritz	C	10	50
Bombay	S	30	86
Bordeaux	Fg	9	48

		°C	°F
Boulogne	C	8	46
Brussels	S	9	48
Budapest	F	2	36
Buenos Aires	R	27	80
Cairo	C	15	59
Cape Town	S	23	73
Caracas	F	28	82
Casablanca †	F	17	63
Chicago †	Sn	-1	30
Cologne	S	6	43
Copenhagen	C	6	43
Corfu	S	13	55
Dallas †	S	1	34
Dublin	C	8	46
Dubrovnik		-	-
Edinburgh	F	6	43
Faro	S	14	57
Florence	S	11	52

		°C	°F
Frankfurt	C	1	34
Geneva	C	4	39
Gibraltar	S	14	[illegible]
Glasgow	C	7	45
Helsinki	Dr	4	39
Hong Kong			
Innsbruck	[illegible]	[illegible]	36
Inverness	F	5	41
Islamabad	F	18	64
Istanbul	F	7	45
Jakarta	R	32	90
Johannesburg	S	27	81
Lisbon	S	12	54
London	[illegible]	6	43
Los Angeles †	F	9	48
Luxembourg	S	5	41
Madeira	F	18	64
Madrid	S	8	46

		°C	°F
Majorca	S	16	61
Malaga	S	14	57
Malta	F	18	64
Manila	C	30	86
Melbourne	S	22	72
Mexico City		-	-
Miami †	C	23	73
Milan	F	3	37
Montreal †	F	3	37
Moscow	C	2	36
Munich	S	3	37
Nairobi		-	-
Naples	S	14	57
Nassau	C	26	78
New Delhi	S	22	72
New York †	R	7	45
Nice	S	15	59
Nicosia	F	12	54

		°C	°F
Oporto	S	8	46
Oslo	S	3	37
Paris	S	7	45
Prague	C	0	32
Reykjavik	F	-2	28
Rhodes	S	12	54
Rio de Janeiro	C	31	88
Rome	S	14	57
Salzburg	Fg	0	32
S'Francisco †	R	10	50
Seoul	C	3	37
Singapore	R	25	77
Stockholm	F	5	41
Strasbourg	Fg	0	32
Sydney	F	20	68
Taipei	F	22	72
Tangier	F	05	09
Tel Aviv	F	12	54

		°C	°F
Tenerife	F	19	66
Tokyo	F	11	52
Toronto †	C	2	36
Tunis	C	16	61
Valencia	S	17	63
Venice	S	8	46
Vienna	C	1	34
Warsaw	C	1	34
Washington †	C	9	48
Zurich	C	-1	30

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

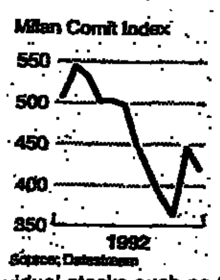
Friday December 18 1992

INSIDE

Pepsi reclaims control in France

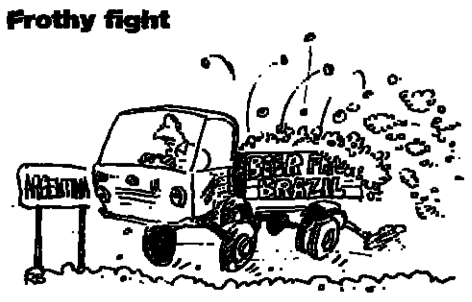
Pepsi-Cola, the US soft drinks group, has won its battle to reclaim control of the marketing and distribution of its brand in France from Perrier, the French mineral water company. The battle between Pepsi and Perrier began three years ago when Pepsi sought to rescind a contract which gave Perrier full control over the production, bottling and sales of Pepsi-Cola in the French market. Pepsi said its share of the French market had fallen from 17 per cent to 7 per cent in 10 years. Page 18

Italian interest wanes



Milan's battered bourse looks set to end the year well below the opening levels of 1992. The burst of interest in possible privatisation candidates, which helped to drive the Comit (BCI) index up to almost 480 in October, has now largely petered out. Though occasional titbits of news or gossip are enough to set individual stocks such as Credito Italiano or the Nuovo Pignone engineering group in motion, such movements have not been enough to enliven the overall market. Back Page

Frothy fight



It is high summer in the southern hemisphere, the peak season for beer drinkers and in Argentina a battle is raging between two beer giants, Argentina's Quilmes brewer and Brazil's Brahma. Brahma is already reckoned to hold about 1 per cent of the Argentine market, and is aiming for a share of 3 to 4 per cent over the next two years. Page 20

Black mood precedes blacklist

Proposals announced last month by the UK Department of Health could cost drugs groups up to 70 per cent of their National Health Service turnover. The surprise proposals involve extending blacklists of products for which the NHS will not pay, but full details of which drugs are to be blacklisted may not emerge until April. The Association of the British Pharmaceutical Industry says the sector could lose sales of up to £450m ($714m), jeopardising 5,000 jobs and £400m in investment. Page 24

Amexco may sell Shearson

American Express, the financial services and travel group, is considering the sale of majority control of its wholly-owned Shearson Lehman Brothers stockbroking and investment banking subsidiary. Page 20

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Ecco	368	+	17
Rises				Peugeot	567	+	12
Schmalbach	283	+	15	**Falls**			
Falls				Axa	855	−	19
Asko	610	−	40	Bongrain	2811	−	159
DLW	407.3	−	6.7	Dollfus Mieg	250	−	10.2
Douglas	410	−	10	**TOKYO (Yen)**			
Holzmann Ph	784	−	12	**Rises**			
Kaufhof	391.5	−	5.5	Fuji Robin	410	+	30
NEW YORK ($)				Nihon Kentetsu	1080	+	85
Rises				Sanshin Elec	1230	+	120
IBM	52⅞	+	½	Yokohama Matsu	895	+	56
Procter & Gamble	52⅝	+	½	**Falls**			
Falls				Nippon Foil	335	−	37
3M	99⅞	−	2¾	Nitto Kako	210	−	20
Storage Tech	18¾	−	2				
PARIS (FFr)							
Rises							
BIC	903	+	11				

New York prices at 12.30.

LONDON (Pence)				Psion	103	+	8
Rises				Shoprite	573	+	45
Amber Day	40	+	6	Suter	92	+	8
Blagden	150	+	13	Tarmac	113	+	7
Bradstock	120	+	12	Tiphook	340	+	26
Burnfield	115	+	12	Vardy (Reg)	120	+	10
Chemring	908	+	25	**Falls**			
First Tech	100	+	7	BB & EA	310	−	13
Flextech	83	+	5	Fitzwilton	28	−	3
Kleen-E-Ze	56	+	6	Glaxo	768	−	27
MB-Caradon	281	+	16	Hanstone	189	−	15
MTM	19	+	3	ICI	1009	−	24
McCarthy&Stone	27	+	5				
Merrydown	248	+	23				
Norex	142	+	27				

Crédit Lyonnais-BfG deal in trouble

By David Waller in Frankfurt

CREDIT LYONNAIS' proposed acquisition of a majority stake in the BfG Bank, the financially troubled German bank, has run into last-minute difficulties.

The purchase of the stake in Germany's sixth biggest bank, potentially one of the largest cross-border deals in European financial services, was first announced at the beginning of last month with the aim of completion by the end of the year.

The failure of the deal, which valued the German bank at DM2.1bn ($1.32bn), would be a big embarrassment for the state-owned Crédit Lyonnais as well as for BfG's shareholders, Aachener und Münchener Beteiligungs, Germany's second biggest insurance company, and the BGAG trades union holding company.

It would also unscramble a related agreement between AMB and Assurances Générales de France, the large French insurance company. The two companies, at loggerheads for months after AGF bought a 25 per cent stake in its German rival, had reached a peaceful co-operation agreement on the condition that AGF helped find a buyer for AMB's stake in BfG, as it did in the form of Crédit Lyonnais.

The difficulties are reported to centre on guarantees that BfG's current owners are being asked to provide to the purchaser in respect of the bank's balance sheet liabilities, a difficult point given the rapidly deteriorating credit environment in Germany.

Another problem is believed to be that Crédit Lyonnais is seeking an "opt-out" clause which would allow it to pull out of the deal if the French government failed to give it approval to raise capital to inject into BfG.

Bankers said that negotiators failed to reach agreement on these issues in a round of talks which took place in Paris and finished on Tuesday this week.

A banker advising on the transaction said that the negotiations were extremely difficult and that all sides involved were playing "a last-minute game of poker".

The pressure to complete the deal has mounted as AMB has called a special supervisory board meeting for tomorrow. It is likely this meeting would cancel the transaction if no agreement had been reached.

Companies involved limited their comment on the developments yesterday to saying that they hoped that agreement would be reached.

Deborah Hargreaves reports on how a privatised utility confronts a break-up threat

British Gas seeks fortune abroad as home front sours

It was a neat coincidence that British Gas should buy control of Argentina's largest gas distribution company on the day that Sir James McKinnon, its regulator, called for the break-up of the company.

The announcements show both the tightening grip of UK regulation and British Gas's drive to shift an increasing amount of business out of that grasp into growth markets overseas.

In the Argentine deal, for instance, a consortium headed by British Gas acquired Distribuidora de Gas Metropolitana for $300m, giving British Gas a majority stake in the privatised utility, which it will run. Other overseas activities include plans for exploration in Kazakhstan, a gas distribution company in Canada and some gas networks in eastern Germany.

The push overseas is not surprising. Ever since British Gas was privatised in 1986, it has faced increasing pressure from the regulatory authorities. Now its future is being decided by an inquiry by the Monopolies and Mergers Commission.

In his submission to the inquiry, Sir James McKinnon has argued for a break-up: British Gas's UK pipelines business, which represents 85 per cent of the company's assets, should be transferred into a new company, he said on Wednesday.

"The key to British Gas's monopoly is its ownership and control of the gas transportation and storage system," he said. Effective competition could not be introduced into the UK gas market while British Gas owned the pipelines – even if it separated them into a subsidiary.

Sir James's views are backed by many of the independent gas marketing companies that have sprung up in the past five years. They suspect they are charged more for transporting their gas through British Gas's pipelines than the company itself pays.

"I'm very concerned that competition with British Gas as a marketer be on an even keel. I'm not sure I believe in Chinese walls," said Mr Norman Ellis, managing director of Kinetica, the only UK company that has managed to build a rival pipeline.

British Gas has expressed its irritation with Sir James for making "inappropriate" statements while the issue is under review. But it must be facing up to the fact that it is unlikely to emerge intact from the monopolies commission inquiry.

The Office of Fair Trading recommended the wholesale sell-off of the pipelines in its report on the gas market in October 1991. The OFT backed off from this demand in return for British Gas's co-operation with the rest of its recommendations, which included a gas release programme and the reduction of British Gas's monopoly in the domestic sector. But British Gas was required to place its pipelines in a separate subsidiary.

"It is not a new issue and to the extent that we are going to discuss it, our discussions will be with the Monopolies and Mergers Commission," Mr Philip Rogerson, British Gas's managing director of finance, said.

British Gas is extremely keen to retain the £16bn-worth of assets that are tied up in the pipelines business. The rest of its UK business is purely a marketing operation, with about £3bn in assets, which should see margins eroded severely as intense competition builds. For this reason, British Gas has insisted on a higher rate of return for its pipelines than Sir James will allow. It was this that forced the monopolies commission inquiry. Sir James wanted the rate of return to be between 2.5 per cent and 5 per cent while British Gas pushed for 6.7 per cent on its existing pipelines and 10.8 per cent on new investment.

The City of London is not sure how to evaluate the threat of break-up: "Many shareholders see it as a positive move in unlocking value", said Mr Nick Antill, industry analyst at Hoare Govett, "but I think it's a myth. Investors would get a one-off payment from the sale of one of the companies or two shares in separate companies, one of which would not do very well financially."

The monopolies commission could go further and break up the company into regional marketing units, as in the electricity industry and as was suggested at British Gas's privatisation.

The row over the break-up of the company goes some way to explain the vigour with which Mr Cedric Brown, British Gas's chief executive, is pursuing investments abroad. It will be a long time, however, before this part of its business catches up with profits from its UK monopoly.

British Gas receives less than a quarter of its overall profit from overseas operations. It had set a target for 60 per cent of its profits to come from its two international divisions – Exploration and Production and Global Gas – by 2000, but has recently backed off from this goal.

"We want to be part of developing gas businesses where we can build markets and be a key player," said Mr Russell Herbert, managing director of Global Gas. But its international strategy is under review by McKinsey, the management consultants.

The City of London has not understood British Gas's move into gas distribution overseas: "Many investors are pretty negative about Global Gas. They're not happy about the company putting money into regulated businesses abroad," said Mr Antill.

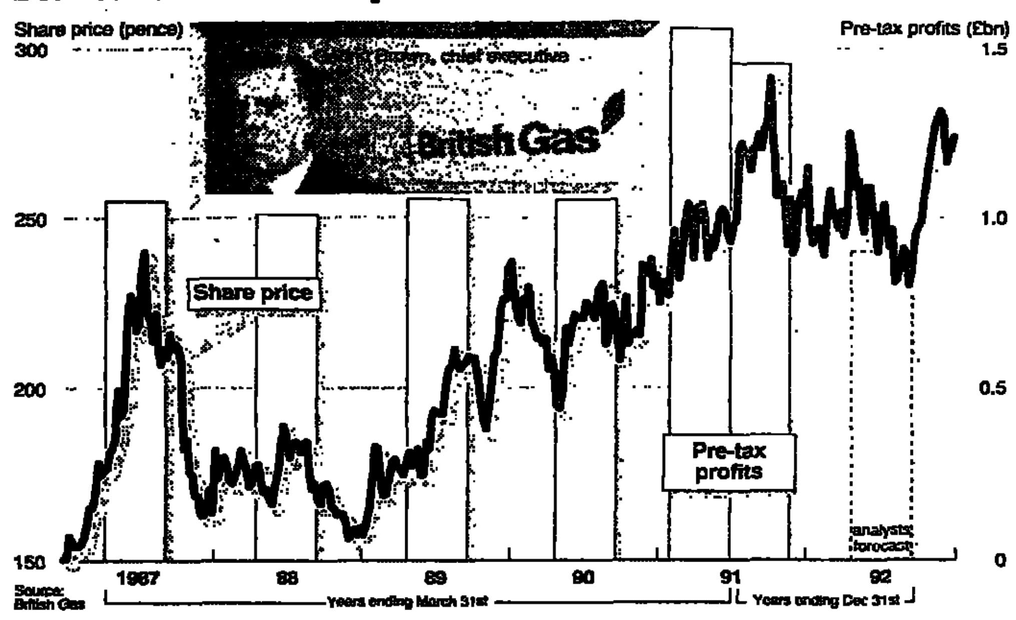
British Gas's involvement in Argentina will be subject to scrutiny by a regulatory body. But the company stresses the positive effect the acquisition will have on its revenues and the possibility of spin-off business.

With a turnover of $610m a year, British Gas expects Distribuidora de Gas Metropolitana to add to its profits immediately. The Argentine market has been growing at 6 per cent a year.

Mr Herbert also expects British Gas to gain around $160m of associated business such as providing consultancy services for Argentina's newly privatised gas industry as well as engineering and pipeline services for the country's water industry.

Argentina provides as much comfort to British Gas's critics, however, as it does to the expansion-minded management. In Argentina the gas pipelines business is run separately from local distribution – by design, not coincidence. The Argentine government set out to learn from the strengths and weaknesses of the UK's gas privatisation before drawing up its own plans.

British Gas: recent performance



SKF sees loss of SKr1.8bn as markets worsen

By Christopher Brown-Humes in Stockholm

SKF, the world's leading roller bearing manufacturer, yesterday said it would incur a SKr1.8bn ($264m) loss in 1992 as it announced an intensification of its job reduction programme in the face of worsening conditions in key European markets.

The Swedish group said most of the loss would arise from a SKr1.1bn provision connected to a plan to cut 4,000 jobs next year and a further 1,000 in 1994.

The cuts represent an increase of 2,000 on figures announced in October, and will bring staff levels (excluding the planned disposal of CTT Tools) down to 42,000 by 1995.

Market conditions for SKF's products have deteriorated sharply in the past few months as the group was expecting a profit for the full year as recently as August.

It noted yesterday that its new rationalisation programme had been prompted by a continuing decline in European demand in the final quarter, with many customers announcing production cutbacks during the months of December and January.

"European demand for the group's core product, roller bearings, will decline even further in 1993," it stated.

Europe accounts for 60 per cent of SKF's sales so the prospect of an upturn in the US, where it sells 20 per cent of its output, is insufficient to compensate.

SKF, which announced a SKr361m loss for the first nine months, said it was continuing efforts to reduce its inventories, *which have fallen by SKr2bn* since 1990.

It said this, together with reduced investment, would enhance cash-flow and reduce net borrowing.

The group's financial figures for 1992 have been exacerbated by a SKr150m currency loss on an Ecu convertible loan, and by SKr100m in other charges relating to the sale of CTT Tools and restructuring of Ovako Steel.

Ovako, the special steels operation which SKF bought last year, has been a drain on its resources, posting a SKr407m loss over the first nine months. European special steel demand is set to fall further next year, SKF said yesterday.

Electrolux arm expects 17 per cent profit rise in Hungary

By Nicholas Denton in Budapest

LEHEL, the Hungarian refrigerator producer owned by Electrolux of Sweden, yesterday forecast that 1992 profits would strengthen 16.6 per cent to Ft950m ($11.5m) before tax on sales little changed at Ft12.1bn.

The performance of Lehel, bought outright for about $60m in 1991 by Electrolux, Europe's largest producer of household appliances, contrasts with the generally frustrating experience of western multinationals with east European acquisitions.

The performance comes mainly as a result of a dramatic improvement in productivity and an upturn in local demand.

Lehel said productivity, as measured by volume per man-hour, rose 72 per cent between April 1991, the first month after Electrolux agreed to buy the factory, and September 1992.

"The potential for productivity improvement was amazing," said Mr Heikki Takanen, Electrolux vice-president in charge of the group's refrigerator business. "We found hidden potential."

Lehel has increased efficiency by rapidly implementing profit centres; divesting peripheral activities; cutting the workforce by 32 per cent over 18 months to just over 3,200; and making more careful use of materials.

Electrolux describes its successful approach to restructuring as "aggressive" in implementing changes rapidly and "pragmatic" in allowing joint working groups of foreigners and Hungarians to come up with the solutions.

Electrolux also believes that its experience in making acquisitions helped it to absorb the alien business culture it found at Lehel.

At the same time as boosting production volume, the company has cut costs, overcoming weak prices and demand in western Europe, Lehel's most important market, and the Hungarian forint's continued appreciation in real terms.

Sales have also benefited from a rebound in domestic Hungarian demand for refrigerators since May as the economy shows signs of having bottomed out.

Electrolux does not, however, subscribe to the common view among multinationals that investment in one east European country can provide a springboard for the rest of the region, believing the strategy to lack substance.

Barclays puts £240m into Imry debt

By Vanessa Houlder, Property Correspondent

BARCLAYS Bank has provided £240m ($364.80m) to cover possible losses on its £422m exposure to Imry, a property group, in one of the largest individual debt write-offs in UK banking history.

The provision, of which £196m has been written off entirely, resulted from Barclay's role in financing a highly leveraged takeover of a quoted property company in 1989, just before the commercial property market went into its sharpest decline in living memory.

The announcement of the record provision, which had been expected by the City of London, accompanied details of a financial restructuring in which Barclays swapped some of Imry's debt into preference shares and also became owner of the business. Barclays' involvement in Imry dates from 1989, when it lent £214m to Marketchief (later renamed Chester), a consortium which paid £314m for Imry. Two years later, it increased its exposure to £440m.

Barclays has written off its entire £196m exposure to Chester. Total provisions including this are £240m, of which £75m was taken in its results for the first half of 1992. Barclays has also turned £100m of debt in Imry into redeemable preference shares.

Barclay's exposure to the Imry Group, excluding the preference shares, is now £76m of drawn facilities, £30m of undrawn facilities and £20m of guarantees.

Mr Martin Myers, Imry chief executive, blamed the company's difficulties wholly on its acquisition by Marketchief, which drained about £115m in interest and capital payments from the Imry subsidiary. "If Marketchief had never happened, we would not be in any trouble whatsoever," he said. He added that the restructuring gave Imry a "positive and stable base from which to go forward".

Imry's net assets, which include a shopping centre in Leicester, total about £70m. Mr David Davies, chairman of Johnson Matthey, the metals group, will be Imry's chairman, a post he occupied before the 1989 takeover.

Mr Wolfgang Stolzenberg, former chairman of the group, resigned six weeks ago after selling his equity to the Imry management.

Banks' downgrade, Page 21; Lex, Page 16; London Stock Exchange, Page 27

Pepsi wins its battle with Perrier over marketing

By Alice Rawsthorn in Paris

PEPSI-COLA, the US soft drinks group, has won its long-running battle to reclaim control of the marketing and distribution of its brand in France from Perrier, the French mineral water company recently taken over by Nestlé of Switzerland.

The battle between Pepsi and Perrier began three years ago when Pepsi sought to rescind a contract struck in 1962 which gave the mineral water company full control over the production, bottling and sales of Pepsi-Cola in France.

Perrier started a legal fight to try to prevent Pepsi from ending the contract. However, Pepsi claimed it needed to regain control of its brand in France because Perrier was not managing it properly.

Pepsi said that its volume share of the French market had fallen from 17 per cent to 7 per cent over the past 10 years.

The companies yesterday announced an agreement whereby Pepsi will regain the rights over marketing and distribution, but Perrier will continue to produce and bottle Pepsi-Cola in France.

Pepsi recently struck similar deals in Spain and Germany, although it stressed that it would not pursue the same strategy in every country and that marketing and distribution would continue to be organised according to the requirements of individual markets.

In spite of yesterday's agreement, the legal skirmish between Pepsi and Perrier will continue.

A French commercial court next month will decide whether compensation should be awarded and the case will then be taken to an appeal court in May.

Meanwhile, Nestlé has closed the final chapter in the Perrier takeover by taking full control of Demilac, the investment vehicle through which it orchestrated the bid last year.

This involved Nestlé buying the 50 per cent of Demilac owned by Indosuez, the French bank that partnered it in the bid, for an undisclosed sum.

The Swiss group maintained throughout the takeover that its eventual aim was to buy out Indosuez, whose participation in the bid was critical in smoothing Nestlé's relations with the French industrial establishment.

Nestlé has reorganised its French interests into Nestlé France, which will control its food brands – including Chambourcy yoghurt and Rowntree sweets – under Mr Yves Barbieux, and Nestlé Sources, a company controlling its mineral waters headed by Mr Serge Milhaud.

Italo-Franco cruise venture set up

By Haig Simonian in Milan

COSTA CROCIERE, the stock market listed Italian cruise group, has reached an agreement with Chargeurs and Accor of France to create Europe's first cross-border cruise venture.

The two French companies, which jointly own the Compagnie Française des Croisières, the parent of the Croisières Paquet company, will buy a stake of 23 per cent in Costa Crociere through a reserved rights issue worth L80bn. The combined cruise group will have 11 liners, offering almost 9,000 beds, and annual sales of around L600bn ($429m).

The deal, which is expected to be concluded by the end of next month, is a further step in Costa Crociere's shift away from the US market towards the Mediterranean and northern Europe. The company, which has invested heavily in new vessels, now operates eight liners, four of which have been built in the past two years.

Paquet, which is well established in France, has three cruise ships targeted to the top end of the cruise market.

Successful conclusion of the deal will reduce the Costa family's stake in Costa Crociere to 31 per cent from 40 per cent at present. The company, Italy's biggest cruise line and the European leader in terms of market share, raised group sales by 8 per cent to L386bn last year while net earnings surged 36 per cent to L23.6bn.

● Istituto Finanziaria Italiano (IFI), the financial holding company of Italy's Agnelli family, suffered a sharp drop in net profits to L146bn ($104m) in the six months to September 30 from L212bn in the same period the previous year.

The fall stemmed from the steep decline in dividends received from the Fiat cars group, in which IFI has a stake of around 45 per cent both directly and through subsidiaries.

French hotel and casino group slips 4.6%

By Alice Rawsthorn

SOCIETE des Bains de Mer, the company that controls most of the grand hotels and casinos in Monaco, suffered a slight fall in net profits during the first half of the year.

The company, which owns the Hotel de Paris in Monte Carlo as well as the main casino, saw net profits slip by 4.6 per cent to FFr107.6m ($20.24m) in the six months to September 30 1992 from FFr112.6m in the same period last year.

By contrast, interim turnover rose by 5.6 per cent to FFr1.56bn.

● Rhône-Poulenc Rorer, the US-based pharmaceuticals subsidiary of Rhône-Poulenc, France's flagship chemicals group, made a profit of $258m from the sale and leaseback of its headquarters to an unidentified US investment group. The proceeds will be used to reduce the company's debt.

Daf seeks financial aid and cuts forecast

By John Griffiths

DAF, the financially-troubled Dutch truckmaker, has secured additional loans of Fl 190m ($108m) and has begun negotiations to obtain yet further financial aid.

The company also said that the weakening west European truck market had forced it to reduce its profit forecast for the year.

At the time of the interim results, Daf forecast a net loss of Fl 100m. The group yesterday said that the loss would be greater, but gave no details.

It also warned that it may be necessary to make provisions in this year's accounts if the restructuring proposals are put into effect early in the new year.

Daf is in renewed talks with the Dutch and Belgian governments and its banks which could lead to any of the parties taking or expanding equity stakes in the group.

While no details have been given, these proposals are intended to lead to further significant cost-cutting and involve further substantial job losses.

While Daf would not comment yesterday on the precise amount of the extra funds it is seeking, its main trade union, Industriebond FNV, claimed that the loans could only guarantee Daf's survival until February.

Some industry analysts suggest that Daf is seeking up to Fl 500m.

German TV stake for CNN

CNN, the international television news network, has acquired a 27.5 per cent stake in N-TV, which operates Germany's only all-news television station, AP-DJ reports from Berlin.

Mr Karl Ulrich Kuhlo, the founder of N-TV, said the deal resulted from "short and intensive" talks, and expressed satisfaction that CNN "will be a component of our future planning".

Spain secures deal from Kuwaitis

By Peter Bruce in Madrid

THE SPANISH government says it has persuaded the Kuwait Investment Office to prevent any further corporate collapses in its troubled Spanish empire and to reverse its nomination of the accountants KPMG Peat Marwick as "special representatives" to replace Kuwaiti management at the KIO's Spanish holding company, Grupo Torras.

Mr Claudio Aranzadi, industry minister, also told parliament the KIO had promised to inject $45m into the failed Torras chemicals group, Ercros.

Madrid had been trying to block the KIO's decision to withdraw from its direct investments in Spain.

It failed when, on December 5, Torras called in receivers. Kuwaiti managers, who had been running the group for six months, left Madrid and appointed KPMG to replace them while court-appointed receivers wound up the company.

A few days after the Torras filing, its large property group, Prima, also applied for receivership, prompting fears that Spain's biggest paper producer, Torraspapel – which is 90 per cent owned by Torras – would also collapse.

Mr Aranzadi said he had been assured by the KIO that Torraspapel would not go into receivership. It has debts of around $1bn.

He said the KIO had also promised to replace the KPMG partners running Torras with a new board comprising two Spaniards and two Kuwaitis.

The receivers may decide not to place it into bankruptcy, as more than 70 per cent of Torras' debt is to the KIO itself. KPMG urged the KIO to convert this debt into equity a year ago and receivers may take the same view.

It is also not clear, and KIO and Torras representatives and advisers were not available to comment yesterday, whether the $40m promised is new money or part of an earlier offer to pump $80m into Ercros to help it pay salaries.

Three months ago, the KIO promised to inject $1.4bn into its troubled Spanish companies but later decided to withdraw.

● A recent article in the FT on the KIO's investments in Spain referred to the Bank of Kuwait and the Middle East as "troubled". This bank, like most Kuwaiti banks, has had difficulties recovering from the Iraqi invasion.

Kolbenschmidt hit by restructuring

By Christopher Parkes in Frankfurt

KOLBENSCHMIDT, the vehicle components maker, plans to shift parts of its manufacturing capacity out of Germany and close unprofitable divisions in an attempt to stay competitive.

The company, which yesterday announced losses of DM89m ($57.23m) for 1992 after barely breaking even in the previous year, said the deficit stemmed mainly from restructuring measures, including the loss of 500 jobs.

It expected performance in the new financial year to be affected by the increasing signs of falling sales and production in the automotive industry.

The attractions of Germany as a manufacturing site were endangered by high wages, short working hours and heavy taxation.

The group had also to adapt to changing demands from vehicle makers intent on reducing the number of suppliers and components.

This meant companies such as Kolbenschmidt would have to supply fully-assembled modules and systems rather than individual parts.

The company, part of the Metallgesellschaft group, makes engine blocks, pistons, steering wheels, airbags and bearings.

Group sales rose marginally to DM1.5bn, although turnover in all divisions except airbags and steering wheels fell.

Gota Bank's shares worthless says SE Banken

By Christopher Brown-Humes in Stockholm

PROSPECTS for a recon struction of Gota Bank, Sweden's fourth-largest, improved yesterday when Skandaniviska Enskilda Banken, the country's leading commercial bank, acknowledged that its Gota shares were worthless.

SE Banken made its gesture conditional on the administrator of Gota AB, the holding group which collapsed in September, handing the shares over to the state.

Five years ago, SE Banken lent SKr1.1bn to Gota AB in return for all Gota Bank's shares as collateral.

SE Banken stressed it had not abandoned hopes of getting back a substantial amount of its original loan.

Devenish sees profit rise as defence against bid

By Roland Rudd in London

J. A. DEVENISH, the UK public house operator, yesterday said its 17 per cent increase in pre-tax profits for the year ending September 30 put it out of reach of its rival, Boddington, which last year launched an unsuccessful bid.

Profits rose to £13.6m ($21.44m) from £11.6m on increased sales from continuing activities of £72.7m against £62.4m.

Mr Michael Cannon, chairman, said he regarded Boddington's decision to hold on to its 19.5 per cent stake as "hostile" and said Devenish had already prepared its defence against a possible second bid from Boddington.

"I think our result has made it too expensive for Boddington to try for us again. But we are prepared to fight off any cheap bid," he said.

Mr Denis Cassidy, Boddington's chairman, said he could draw no "particular significance" from Devenish's results. Boddington is to keep its 19.5 per cent stake in Devenish for "strategic reasons".

He said Devenish's operating profit was only marginally ahead in spite of an increase in its pubs from 376 to 532.

Devenish's pre-tax profits were boosted by an increase in the share of associated undertakings and a £1.2m fall in the interest charge to £3m.

The final dividend is to be increased to 6.35p from 5.05p giving a total of 7.85p – a 25 per cent increase on the previous year. Fully-diluted earnings per share rose to 18.73p from 16.02p.

Ciments Français told to make bid

By Alice Rawsthorn

CIMENTS Français, the troubled French cement group, is being forced by the French stock market authorities to mount a bid for Guintoli, the construction company embroiled in the recent scandal over Ciments Français' off-balance sheet dealings.

The Conseil des Bourses de Valeurs, the body that regulates the Paris stock market, yesterday announced that it had instructed Ciments Français to make the bid after considering a report by the Commission des Opérations des Bourse, the market watchdog, into the cement company's investment in Guintoli.

The critical issue in the Guintoli affair was whether the Ciments Français stake in the company was raised above the 33.3 per cent level at which, under French law, any investor must mount a full bid.

The official reports have concluded that Ciments Français did acquire more than a third of Guintoli's equity and therefore must make an offer.

Ciments Français has been clouded by controversy since October when the scandal over its off-balance sheet dealings first surfaced. Mr Pierre Conso, who chaired the company at the time of the transactions, has resigned.

Westpac facing new uncertainty as MD is fired

By Kevin Brown in Sydney

WESTPAC Banking Corporation, the troubled Australian bank, was yesterday facing further uncertainty after the board fired Mr Frank Conroy, managing director, after only 14 months in the job.

Mr John Uhrig, who took over as chairman following an earlier board reshuffle in October, said a new managing director would be appointed from outside the bank within a month.

Mr Uhrig said that Mr Conroy had resigned following agreement among directors that the bank's restructuring programme needed to be controlled by "someone who comes fresh to the task".

This contrasts starkly with the strong support for Mr Conroy expressed by Mr Uhrig and the rest of the board when the bank's restructuring plan was announced last month.

Yesterday's board meeting was the first attended by Mr Kerry Packer, the publishing entrepreneur, who acquired a 10 per cent stake in Westpac in November through Consolidated Press Holdings (ConsPress), his private company.

Analysts said it was clear that Mr Conroy had refused to bow to pressure from Mr Packer and Mr Al Dunlap, ConsPress managing director, for bigger cuts in staffing and assets.

Similar suggestions have been made by the AMP Society, Australia's biggest financial institution, which owns 15 per cent of Westpac and also has two seats on the board.

Westpac, once Australia's biggest bank, has faced growing problems over the last two years as a result of bad debts which culminated in a loss of A\$1.56bn (US\$1.07bn) for the year to the end of September.

The bank was humiliated by the failure of a A\$1.2bn rights issue in October, which closed 72 per cent under-subscribed,

Frank Conroy: had only been in job for 14 months

leaving nearly 300m unwanted shares in the hands of sub-underwriters.

Five directors resigned shortly after the rights issue debacle, including Sir Eric Neal, chairman.

Mr Conroy's frank approach to the bank's problems appeared to have won the support of the markets, reflected in an improvement in the share price from a low of A\$2.39 in November to A\$3.03 on Wednesday.

However, the shares rose 1 cent to A\$3.04 after the announcement of Mr Conroy's resignation, suggesting that investors share Mr Packer's view that restructuring could be accelerated.

The programme announced by Mr Conroy included cutting costs and increasing revenue by A\$300m this year; cutting the expenses-to-income ratio from 70 per cent to 58 per cent over three years; and reducing corporate risk assets by A\$10bn by 1995.

Westpac has confirmed that the cost-cutting programme could include a reduction of up to 60 per cent in head office staff.

The bank is also reviewing its regional operations in the south Pacific and North America.

Thai group to buy out its Danish parent

By Victor Mallet in Bangkok

CHRISTIANI and Nielsen (Thai), the construction and engineering company, announced yesterday that its shareholders had approved a plan to buy up to 100 per cent of its Copenhagen-listed Danish parent, Christiani and Nielsen AS, for about \$80m.

Thailand will become the headquarters for the group, and the Thai company will control wholly-owned operations in Denmark, Germany and the UK.

Mr John Millard, the Thai group's chief executive officer, said the move was logical because significant growth was occurring in Thailand and south-east Asia.

Christiani and Nielsen (Thai) employs 4,500 staff and has an order book worth \$270m. It expects after-tax profits of about Bt350m (\$13.75m) in 1992, more than triple the 1991 profits of Bt104m.

Mr Millard said that the group was "experiencing tremendous growth at a time when many other similar businesses in Europe are experiencing flat sales because of major downturns in their respective economies."

He added: "Our growth is being fuelled primarily from Thailand."

Mr Millard said that staff had already been deployed from UK and other operations to projects in Thailand and China.

He said that this was the first time in Thailand's history that such a cross-border transaction involving two listed companies had occurred. The ailing Danish parent owns 42.17 per cent of the Thai company.

The Christiani and Nielsen group has been in Thailand for 60 years – among other projects, it built the famous Democracy Monument – and has profited from the country's rapid economic growth of recent years.

Qantas adds piece to BA's global jigsaw

Paul Betts and **Kevin Brown** assess the UK airline's deal with the Australian carrier

A SIGNIFICANT piece of the British Airways global jigsaw fell into place yesterday.

The Australian government's acceptance of BA's £291m (\$442.32m) bid for a 25 per cent stake in Qantas, the Australian national carrier due to be privatised next year, has fulfilled the UK airline's ambitions to forge a strategic partnership in the fast-growing Asia-Pacific market.

Both Lord King, BA's chairman, and Sir Colin Marshall, BA's chief executive, have long stated their intent to negotiate a series of partnerships to enable BA to become a truly global airline.

The strategy has involved a series of simultaneous moves this year in three different markets.

In Europe, BA has expanded its base in anticipation of next year's European single airline market by acquiring large minority stakes in the French regional carrier TAT and the newly-established Deutsche BA venture in Germany.

Its takeover of the ailing UK independent carrier, Dan-Air, has further strengthened its presence in the UK and Europe. And it now expects to launch next year, or possibly in 1994, a new Moscow-based joint venture airline called Air Russia which will initially operate services from Moscow to European cities using western-built jets.

In the US, BA is fighting to win US government approval for its proposed \$750m acquisition of a 44 per cent stake in USAir, the sixth-largest US carrier. This is perhaps the most important deal in BA's expansion strategy, since it would consolidate BA's strong position on the busy North Atlantic market and give it broader access to the domestic US market – the world's single biggest airline market.

The USAir deal is entering a vital phase. Mr John Major, the UK prime minister, will tomorrow put pressure on President George Bush during talks at Camp David to approve the BA investment before the deadline for the proposed transaction expires on December 24.

The US government has come under pressure from other big US airlines to oppose the deal if it fails to secure greater access for US carriers into the UK, and especially London's Heathrow airport.

The UK has tabled a three-stage proposal to liberalise the UK-US air transport market, but has insisted the US first approve the BA-USAir transaction. This has so far been rejected by the US and unless a breakthrough is secured over the weekend, BA's partnership ambitions in the US could be frustrated.

But the Australian government will have provided some consolation. By winning the Qantas bid against tough competition from Singapore Airlines, BA has strengthened its position in the Asia-Pacific region.

The UK airline has produced a 32-page document detailing the benefits of its association with Qantas. Among the key advantages are: access on the Pacific market to the west coast of the US; greater access into fast-expanding south-east Asian destinations such as Hong Kong, Bangkok, Singapore and Jakarta; and a significant opportunity to tap the domestic Australian market, since Qantas has now absorbed Australian Airlines, the government-owned domestic carrier.

Although Qantas will remain independent, there is likely to be close integration of the two airlines' schedules, especially on the competitive London-Bangkok/Singapore-Sydney route.

The two carriers also have a common culture, with solid reputations for aircraft maintenance and passenger service, although Qantas has been burdened by financial problems over recent years. The two airlines also operate similar fleets, using the Boeing 747-400 as the backbone of their long-haul services.

But BA had to fight to the very end to clinch the Qantas deal. It had to increase its offer at the last minute yesterday to fend off Singapore Airlines, which had been led to believe it was the favoured candidate.

BA is thought to have added about A\$50m to its initial offer of about A\$600m, but still paid less for its 25 per cent stake than many analysts had expected. Mr Ralph Willis, the Australian finance minister who handled the sale, insisted that BA had paid a premium for its strategic stake, suggesting that the airline's value is somewhere between A\$2bn and A\$2.6bn (US\$1.79bn).

However, a final judgment on the winners and losers from the deal will have to await the Qantas flotation next year, which the government hopes will raise between A\$1.5bn and A\$2bn. If the sale goes well, BA will be seen to have bought a bargain, and the government will exceed its targeted return of A\$1bn after recapitalisation costs of A\$1.35bn. If the return is at the lower end of the range, BA's stake will look more expensive.

One clear winner from the deal appears to be Mr Bill Dix, Qantas chairman, who argued strongly for a bigger infusion of fresh capital than the A\$1bn suggested by the government. The A\$1.35bn provided by the deal is less than Mr Dix had sought, but sufficient to reduce the airline's ratio of debt to shareholders' funds from 75:25 to nearly 50:50.

Mr Dix may turn out to be a loser in a more personal sense, however, since the agreement to form a new board means he is not guaranteed a place. Qantas returned to the black last year with a pre-tax profit of A\$148m, and is believed to be operating profitably in the current year, in spite of the effects of continuing slow economic growth. The airline will receive a substantial cash flow boost from its merger with Australian, although it has only recently begun to integrate international and domestic services.

Qantas has shed several thousand staff over the last two years in preparation for privatisation, and analysts say it has significantly improved efficiency. It also owns one of the world's newest airline fleets and boasts an excellent safety record.

However, the Australian airline industry has been in turmoil since a nationwide pilots' strike in 1989-90 was followed almost immediately by deregulation of domestic aviation.

This triggered a price war which caused the collapse of one independent airline and heavy losses at Ansett Australia, the domestic market leader, which is owned by TNT and News Corporation. Qantas/Australian Airlines has suffered less, but has been exposed to tough competition and tight margins on domestic routes.

Competition is expected to intensify over the next two years as moves towards a common aviation market with New Zealand are completed. But through its partnership with BA, Qantas expects to increase significantly its international market reach, especially in Europe and North America.

Phillimore goes in Minorco management shake-up

By Kenneth Gooding, Mining Correspondent

MR ROGER Phillimore, a joint managing director of Minorco, the Luxembourg quoted overseas investment arm of the Anglo American Corporation of South Africa, is to leave the company, having lost a contest for the chief executive's role.

Minorco effectively has had three managing directors. Mr Phillimore, 42, and Mr Tony Lea, 42, were joint managing directors, and Mr Hank Slack, 41, was president. The company has opted for a simplified management structure, with Mr Slack as chief executive. He will operate with a management committee and be based in London. Mr Lea remains on the Minorco board and will be taking a senior position – so far unspecified – with Anglo in Johannesburg next year.

Analysts noted that Mr Julian Ogilvie Thompson remains chairman of Anglo, its sister company, De Beers, and Minorco, in spite of some recent criticism from the investment community.

Mr Lea, Mr Phillimore and Mr Slack took over at Minorco in 1988 with a plan to change it into a "hands on" operating group. They launched a £2.9bn (\$4.4bn) bid for Consolidated Gold Fields of the UK and, since this failed, have been using the £1.5bn raised from selling Gold Fields' shares for less adventurous acquisitions.

Minorco is also renewing links with S.G. Warburg, broken at the time of the 1988 Gold Fields bid because Warburg faced a conflict of interest. Mr Peter Wilmot-Sitwell, chairman of S G Warburg Securities, is joining the Minorco board as a non-executive director. Mr Peter Burnell, formerly managing director of Anglo's South American operations, is also joining the Minorco board.

See Observer

SA group quits Australian deal

SENTRACHEM, the South African chemicals group, will not proceed with its proposed acquisition of Chemplex of Australia, writes Philip Gawith in Johannesburg. Mr John Job, Sentrachem chief executive, said it was unable to agree with the vendor, Mr Kerry Packer's Consolidated Press Holdings, on the price and other aspects. Sentrachem will not now proceed with its R240m (\$49.5m) rights issue.

Amexco may sell Shearson stake

By Alan Friedman in New York

AMERICAN EXPRESS, the financial services and travel group that is searching for a successor to Mr James Robinson, the chairman and chief executive, is considering the sale of majority control of its wholly-owned Shearson Lehman Brothers stockbroking and investment banking subsidiary.

Although the group declined to comment yesterday, executives are said to have prepared a plan under which shares in Shearson could be offered to the public.

A company insider, who asked not to be named, warned yesterday the plan was not the only option for Shearson, which has proved an expensive albatross for the American Express group.

The share plan is likely to be discussed by the board of American Express in January. If it is approved, it could result in a hefty one-time write-off charge by American Express, estimated at between $1bn and $2bn.

Although Shearson made $43m of net profits in the first nine months of 1992, it suffered a $25m loss in its most recent quarter, to September 30, compared with $63m net income in the third quarter of last year.

The only comment American Express would offer yesterday was to say its strategic goal remained bringing Shearson back to the point where it could achieve a single-A credit rating as a stand-alone company. The present rating of Shearson's senior long-term debt by Moody's, the rating agency, is single-A3.

The board is also wrestling with the question of a replacement for Mr Robinson, who earlier this month said he would give up his job as chief executive during 1993. He helped to build up Shearson during the 1980s through a series of acquisitions, beginning with the $888m acquisition of Shearson in 1981.

Part of Shearson was sold to the public in 1987, but by 1990 its problems caused American Express to inject $1bn of new capital and to buy back its publicly-quoted stock.

The American Express board is believed to be divided over the choice of Mr Robinson's successor with some directors in favour of Mr Harvey Golub, the group's president, and others opposed. Mr Golub is believed to be the personal choice of Mr Robinson, who is heading the search committee.

Short Bros in link with French aero group

By Paul Betts, Aerospace Correspondent

SHORT BROTHERS, the Belfast aerospace company owned by Bombardier of Canada, yesterday forged a strategic alliance with Hurel-Dubois of France to develop, produce and market engine nacelles to aircraft and aero-engine manufacturers.

The companies have formed a jointly-owned company called International Nacelle Systems (INS), which will be based in Paris.

The alliance, which the two companies say will strengthen significantly their position in the nacelle market, reflects the increasing trend of international collaboration and concentration in the aerospace industry.

This trend is expected to intensify as the industry continues to restructure itself in the face of the post cold war decline in the defence sector and the recession in the civil aircraft sector.

Shorts has already collaborated closely with Hurel-Dubois, a manufacturer of lightweight airframe structures as well as nacelles and engine thrust reversers controlled by the French Compagnie de Navigation Mixte conglomerate.

The two companies were selected last month by BMW Rolls-Royce, the aero-engine joint venture between the German carmaker and the UK aero-engine group, to provide nacelles for their new BR700 aero engine family.

The two companies are also in the process of establishing an aero engine podding facility at Toulouse, in south-west France, where the European Airbus consortium is based. This facility will fit nacelles to engines and supply airframe makers, especially Airbus, with complete powerplants.

Reebok writes off $135m for restructuring

By Karen Zagor in New York

REEBOK International, the US sports shoe maker, unveiled a substantial fourth-quarter restructuring charge and said it would put its Boston Whaler and Ellesse USA subsidiaries up for sale. Reebok is also writing-off the carrying value of its Avia unit.

The company said it would take after-tax charges of about $135m, or $1.45 a share, against fourth-quarter earnings. This will more than offset one-time gains of $29.6m recorded in October on the sale of Reebok's CML Group.

Reebok earned $74.4m, or 80 cents, in the 1992 third quarter and $49.7m, or 53 cents, in the 1991 fourth quarter.

Reebok said the restructuring charges were mainly noncash in nature and operating income should stay on target.

Mr Paul Fireman, chairman and chief executive, said Reebok had also considered divesting Avia but decided that its strategic value and improving prospects were sufficiently strong to retain the business.

Reebok also plans to move its international headquarters in the UK to London from Bolton.

P&G disposals to reach $1.2bn

By Karen Zagor in New York

PROCTER & Gamble, the US consumer products giant, yesterday said it expected to complete the sale of its commercial pulp businesses early next year, bringing the total price for its pulp plants and timberlands to $1.2bn.

The company had previously announced the sale of pulp mills, saw mills and 175,000 acres of Georgia timberland to Weyerhaeuser for $600m.

The additional $600m comes from the sale of its Memphis, Tennessee, cotton linters plant to an investor group led by Mr Robert Cannon, former head of P&G's pulp operations, and the sale of 665,000 acres of timberland in north Florida to an unnamed party.

It also includes the formation of a limited partnership with the Cannon group to operate a pulp plant in Florida.

The company said the sale would have no immediate material effect on earnings.

The gain from the sale will be offset by the reduction in pulp sales to outsiders.

About half of the company's pulp output is sold to P&G itself.

In March, P&G said it was selling its large interests in the pulp business to concentrate on its core consumer businesses.

US Pru to take over O&Y's Aetna Centre

By Robert Gibbens in Montreal

PRUDENTIAL of America is due to file a motion in an Ontario court today to take over Toronto's Aetna Centre from Olympia & York Developments. Prudential holds a C$185m (US$144.5m) first mortgage on the building.

Lawyers for Prudential said an agreement was struck between both companies. The insurance company wants to take back the building immediately and try to replace a tenant moving out next spring.

O&Y on Wednesday filed with the court its revised restructuring plan, which allows senior creditors to seize their collateral. Creditors vote on the plan during the week of January 11.

The Ontario Securities Commission halted trading in C$325m of bonds secured on First Canadian Place, O&Y's biggest Canadian property.

O&Y failed to meet a deadline for filing First Canadian's financial statements. The company said it would do so within the next few days. The delay was due to the effort required to put together the detailed restructuring plan.

Amax raises $340m through private offering

By Laurie Morse in Chicago

AMAX, the US metals and mining company, has sold 7m shares of series A convertible preferred stock in a private offering, raising about $340m.

Proceeds will be used to reduce debt. The company has $2.2bn in long-term debt and other obligations.

After 60 days, the preferred stock will be convertible into Amax common stock at a rate of 2.5197 shares of common for each share of preferred.

The shares have an annual dividend rate of $4.

A battle of beer giants brews in Argentina

Brazil's Brahma is muscling in on Quilmes home territory, **John Barham** reports from Buenos Aires

IT IS high summer in the southern hemisphere, the peak season for beer drinkers. In Argentina, this summer will also mark the first battle between two beer giants, Argentina's Quilmes brewer and Brazil's Brahma.

Brahma, which in September began trucking its beer in bottles all the way from Brazil, is already reckoned to hold about 1 per cent of the Argentine market, and is aiming for 3 to 4 per cent share over the next two years.

Imports began surging into Argentina last summer, when trade liberalisation combined with local industry's lack of capacity, allowed foreign can sales to take about 3.5 per cent of the market. But consumers' initial excitement over a wealth of exotic new labels is fading, leaving Brahma and Quilmes to do battle alone.

As well as defending its dominant 64 per cent of the market, Quilmes, whose Bermuda-based parent company is 15 per cent owned by Heineken of the Netherlands, also imports Heineken, sales of which are roughly equivalent to Brahma's.

Mr Pedro Algorta, general manager of Quilmes' Argentine operating arm, says Brahma does not bother him much: "When the consumer is doing well, the company does well. Our biggest project is to keep up with the demand."

Beer production in Argentina has risen by about 50 per cent to 7.98m hectolitres in 1991, from 5.45m hectolitres in 1986. Per head consumption of 24.6 litres a year is now comparable with other Latin countries.

The Bermuda parent – most of whose sales are in Argentina – reported sales up 25 per cent in the first half of 1992 to $203.9m, and net income up only 2.6 per cent to $20.1m. It had sales of $364.3m for all 1991, up 34 per cent over 1990, while net income rocketed to $39.4m from $16.1m.

It is adding capacity with a new $70m brewery and is building a $35m malting facility. It has invested $41m over the past five years in upgrading plant. Foreign analysts rate Quilmes's management highly, lauding its approach to widening margins by improving quality and introducing new technology rather than raising prices.

Quilmes has spread itself abroad. Last year, it began tackling Chile's monopolised market with a brewery in Santiago and now claims 15 to 20 per cent of Chile's rapidly-growing market.

Quilmes also owns small beer and soft drinks companies in Paraguay and Uruguay.

Understandably, Mr Algorta is non-committal on the possibility of entering the troubled Brazilian market. But Quilmes could import Brazilian Kaiser beer into Argentina. Kaiser is owned by its ally Heineken and Brazilian Coca-Cola bottlers.

Many Argentine beer executives are deeply suspicious of Brahma's arrival on the scene. They wonder how it can truck beer 1,600km to Buenos Aires and still make money.

They claim that Brahma must be dumping beer that it cannot sell in its depressed home market, or is receiving covert subsidies.

Mr Ingo Ostrovsky, Brahma's public affairs manager, tells a different story: "Brazil always had a beer shortage, so we never had the opportunity of exporting. Now we have projects to increase capacity and dedicate ourselves to foreign markets. We would be exporting even without the crisis in Brazil. The original idea is to export 10 per cent of output to [neighbouring] countries."

He says rebates on most of the 151 per cent in taxes it pays on factory gate prices enable it to sell beer in Buenos Aires at about the same price as in Brazil.

From a marketing point of view, Brahma is also helped by the fact its bottles are one-third smaller than those of its local competitors which means they sell for slightly less than Quilmes bottles of almost one litre even though Brahma's beer is actually more expensive.

Brahma has started an advertising campaign and is working hard on supermarket outlets. It already knows the Argentine market well through its local partner, Londrina SA, with which it owns a malting plant in Buenos Aires province.

Analysts speculate that if all goes well, Brahma will seek a firmer foothold in Argentina, possibly by buying a smaller breweries. That should not be too difficult. Brahma had net income of $73m on sales of $1.8bn in 1991, although sales this year are down by over 20 per cent.

The advance of beer in Argentina has come at the cost of dwindling wine sales, with consumption halving to 50 litres per head in the last 20 years.

The dwindling appeal of wine is forcing some wineries to diversify into beer and mineral waters. Mr Roberto Luka, managing director of winery Finca Flichman, started a sideline distributing German Beck's beer two years ago. This summer he will start selling American Coors beer.

Flichman could well increase its presence in beer. That is a fine aspiration, but it will take many a long hard summer before it can take on Quilmes and Brahma.

Short Bros in link with French aero group

INTERNATIONAL CAPITAL MARKETS

Finland surprises market with SFr500m 8-year note

By Brian Bollen

THE Republic of Finland made an early start to its 1993 international borrowing programme yesterday, unexpectedly launching a SFr500m eight-year bond, priced to yield just below 6 per cent.

Crédit Suisse, which is arranging the issue, said that Finland took advantage of the receptive state of the Swiss bond market, where interest rates are thought to be heading lower, to launch its biggest issue in the sector so far.

INTERNATIONAL BONDS

Bankers said that although the 6 per cent coupon is above the current market rate, the pricing was a little aggressive, given Finland's heavy borrowing requirements. The payment date is in February.

The four Swiss franc issues launched yesterday were worth a total of SFr850m. The other three, for Shell Australia, Rabobank Nederland, and Total of France, were all said to be swap-driven.

The European Community reopened the Ecu market with the first issue in the sector since the summer. The Ecu80m third tranche of an issue first launched in December last year was priced to yield three basis points over the bid side of the existing issue and brings the total amount outstanding to Ecu820m.

Lead manager BZW reported a warm reception for a deal which, it argues, proves that reports of the death of the Ecu market have been greatly exaggerated. Demand, it said, tended to be mainly from European institutional investors.

The syndicate broke within 15 minutes of the launch.

Bankers said that the issue, though small, shows that the sector can still attract new money. They said if stability returns to the currency markets there could be further Ecu issuance in the new year.

The London branch of NordLB issued $100m of one-year paper under an existing medium-term note programme, through Lehman Brothers. The notes are puttable every three months, and were described by other banks as commercial paper dressed up as bonds.

● Barclays de Zoete Wedd has issued $143m of US commercial paper backed by European trade receivables, the first asset-backed paper to be channelled through its special purpose securitisation programme, Sceptre International, writes Tracy Corrigan.

The Sceptre vehicle purchases diversified pools of trade receivables, with an average size in excess of $50m equivalent, from high quality European companies, and then sells asset-backed commercial paper rated A1+/P1.

The $1bn programme allows for paper to be issued in both the US domestic market, as in this case, and in the Euro-commercial paper market.

The first batch of receivables to be securitised under the programme consists of close to 2,000 trade contracts sold to the vehicle by one UK company.

However, Barclays has been discussing potential issues under the programme with a number of continental European companies.

● The London stock exchange's board agreed yesterday to proceed with links between its own trade confirmation system, Sequal, and two rival systems, writes Richard Waters.

Earlier suggestions from the exchange that it might not proceed with the links had angered a number of institutional investors, since the links are seen as important in developing an electronic network through which details of international share transactions can be agreed.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Nord LB, London Branch(a)‡	100	(a)	100	1993	-	Lehman Brothers Int.
ECUs						
EEC(b)	80	8.825	99.425	1997	25	Barclays de Zoete Wedd
SWISS FRANCS						
Republic of Finland	500	6	102	2001	-	Crédit Suisse
Total★★	150	6	102	2000	-	Crédit Suisse
Rabobank Nederland★★	100	5.75	102.75	2001	-	UBS
Shell Australia★★	100	6	102.375	2000	-	UBS

Final terms and non-callable unless stated. ★★Private placement. ‡Floating rate note. a) Coupon pays 37.5bp below 3-month. Putable every 3 months at par. b) Fungible with outstanding ECU740m. Plus 30 days accrued interest.

Japanese banks upset by slowing of deregulation

By Robert Thomson in Tokyo

JAPANESE commercial banks expressed dismay yesterday at the slowing of financial deregulation, which has become a victim of the Tokyo stock market collapse.

A package of long-awaited reforms announced yesterday by the Ministry of Finance will keep banks out of stock trading for the indefinite future and ensure that their role in bond markets is limited.

Japanese brokers had argued that the collapse of stock prices damaged the industry's health, and that most houses were not fit to compete with banks in the securities markets or to take advantage of opportunities in the banking sector.

Under the deregulation plan announced yesterday, the country's 10 trust and long-term credit banks will be able to establish securities subsidiaries from next April to issue but not market convertible and warrant bonds, and to deal in straight bonds.

The leading 11 commercial banks will have to wait at least another year for the same, limited privileges, to be reviewed in two to three years by the ministry, which suggested that further reforms would then be announced. Officials at long-term credit banks, the Industrial Bank of Japan, the Long-Term Credit Bank of Japan and Nippon Credit Bank, were frustrated by a restriction on the new subsidiaries' dealings with companies for which they are the main bank.

While Japanese banks have been made wary of the stock market by the collapse of prices and trading volume over the past three years, they were hoping that the many months of negotiation with finance ministry officials would have brought more gains than were revealed yesterday.

The securities houses will be allowed to establish trust banking subsidiaries with greater freedom to deal in investment trusts and currency instruments, but they were denied access to special large-lot securities trusts and special loan trusts in which public funds are often invested.

Several Japanese securities houses have indicated that they may not bother to apply for trust banking licences. They are awaiting information from the ministry on the costs of entry to the business and a timetable for the further easing of restrictions.

In an attempt to establish a "fire wall" between the banks and their new subsidiaries, the ministry indicated that board members of the subsidiaries will not be allowed to return to the parent company.

Bérégovoy fails to stem weakness in French issues

By Sara Webb in London and Patrick Harverson in New York

FRENCH government bonds fell yesterday as speculation over the French currency persisted in spite of firm statements by the French prime minister and finance minister that the franc would remain within the European exchange rate mechanism and would not be devalued.

Mr Pierre Bérégovoy, the prime minister, and Mr Michel Sapin, the finance minister, held press conferences yesterday at which they stressed their commitment to defending the franc/D-Mark parity. They said that the economic fundamentals did not justify a lower exchange rate for the franc.

GOVERNMENT BONDS

However, short-term money market rates continued to rise, and three-month money was quoted at 11¼ per cent to 12 per cent against 11 per cent to 11¼ per cent on Wednesday. The franc held steady at 3.4178 to 3.4182 to the D-Mark.

The March bond future settled at 110.70, down 0.40, while in the cash market the yield on the 8½ per cent bond due 2003 ended at 8.35 per cent, compared with 8.28 per cent at the opening. Sentiment was not helped by the auction of two- and five-year notes.

■ THE CONTINUED tensions within the ERM helped to lift German government bond prices, although dealers noted that trading volume was thin.

The market paid little heed to the Bundesbank's monthly report yesterday in which the central bank said that Germany's economic outlook had worsened significantly but that monetary policies would remain tight because of concern about inflation.

The Bundesbank also announced that the bond consortium of banks would meet on December 29 to decide the terms of the new federal bond issue. The March bund futures contract on Liffe ended at around 91.63, up from 91.57 at Wednesday's close.

■ US TREASURY prices eased slightly across the maturity range yesterday morning after investors mostly ignored the latest economic news.

By midday, the benchmark 30-year government bond was down $\frac{1}{16}$ at 102$\frac{1}{16}$, yielding 7.433 per cent. The two-year note was also slightly weaker at the halfway stage, down $\frac{1}{16}$ at 99$\frac{29}{32}$, yielding 4.658 per cent.

Trading was listless with a bias towards the downside. News that initial claims for jobless insurance rose 22,000 in the week ended December 5, that the October trade gap narrowed to $7.03bn, and that the Philadelphia Federal Reserve's index of local business activity doubled in November, failed to have much of an impact on market sentiment.

Some dealers attributed the lacklustre nature of trading to an unwillingness of investors to play the market ahead of next weeks' auctions of new two and five-year notes.

■ UK GOVERNMENT bonds ended firmer, gaining about ¼ of a point at the long end following the release of worse-than-expected unemployment figures. The gilt market opened on a weak note, but news that unemployment rose by 41,100 in November lifted gilt prices. The unemployment figures were higher than expected, and raised hopes that there might be a cut in interest rates soon.

However, dealers pointed out that any rise in the market is likely to be limited by the overhang of new stock.

The Liffe gilt future contract rose from 99.24 to 99.31.

FT FIXED INTEREST INDICES

	Dec 17	Dec 16	Dec 15	Dec 14	Dec 11	Year ago	High *	Low *
Govt Secs(UK)	93.67	93.57	93.60	93.71	93.84	87.10	95.54	85.11
Fixed Interest	108.96	108.81	108.76	109.01	108.94	97.37	110.28	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 110.28 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Dec 16	Dec 15	Dec 14	Dec 11	Dec 10
Gilt Edged Bargains	102.4	113.2	104.1	105.1	125.9
5-Day average	110.2	113.5	114.7	117.7	122.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	106.6793	-0.746	8.96	8.79	8.89
BELGIUM		8.750	06/02	104.8600	0.100	7.99	7.98	8.12
CANADA *		8.500	04/02	102.7500	-0.260	8.07	7.97	8.13
DENMARK		9.000	11/00	99.4500	-0.550	9.09	8.89	8.70
FRANCE	BTAN	8.500	03/97	100.3878	-0.452	8.36	8.16	8.02
	OAT	8.500	11/02	100.8250	-0.690	8.37	8.21	8.10
GERMANY		8.000	07/02	103.9700	-0.010	7.40	7.41	7.43
ITALY		12.000	05/02	92.5200	-0.020	13.871†	13.70	13.36
JAPAN	No 119	4.800	06/99	101.3064	0.000	4.54	4.49	4.51
	No 145	5.500	03/02	105.7081	-0.070	4.62	4.58	4.60
NETHERLANDS		8.250	08/02	105.2300	-0.010	7.45	7.48	7.56
SPAIN		10.300	06/02	87.7500	-0.400	12.55	12.58	12.41
UK GILTS		10.000	11/96	108-30	+4/32	7.31	7.40	7.11
		9.750	08/02	108-25	+2/32	8.39	8.42	8.28
		9.000	10/08	102-27	+4/32	8.65	8.70	8.67
US TREASURY *		6.375	08/02	97-01	-6/32	6.80	6.74	6.66
		7.625	11/22	102-05	-4/32	7.44	7.43	7.56
ECU (French Govt)		8.500	03/02	97.5840	-0.181	8.89	8.88	8.70

London closing, *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Barclays and NatWest downgraded

By Richard Waters

THE senior debt ratings of Barclays Bank and National Westminster Bank, the UK's two biggest banks, have been downgraded for the second time this year by Moody's Investors Service, the US rating agency.

The move reflects the damage done by the UK recession to each bank's loan book and profitability, as well as the long-term impact of greater competition in banking.

Moody's new AA2 ratings, two notches below the top AAA ranking the banks held until earlier this year, bring the banks into line with the AA accorded them by rival agency Standard & Poor's.

Moody's pointed to Barclays' "extended profit and asset quality weakness, and pressure on equity capital formation". The protracted recession in the UK has pushed the bank's problem loans "to historically high levels".

NatWest faces similar problems. "Profitability and capital retention should remain depressed until 1994."

The ratings affect about $10bn of debt.

Tokyo proposes new stock futures index

By Emiko Terazono in Tokyo

JAPAN'S Ministry of Finance is planning a new stock futures index in an attempt to end local criticism of the negative effects of futures and options trading, in which foreign brokers are particular active.

The move is the latest twist in a long-standing row over the weakness of the Tokyo stock market caused by derivatives trading, which is blamed by the Tokyo stock exchange and some Japanese brokers for undermining investor confidence in stocks.

The ministry is proposing a capitalisation weighted index, which takes into account the number of shares outstanding, to replace the Nikkei 225 futures index, which is a simple price average of 225 stocks. The proposal goes some way to addressing concerns about the Nikkei 225, which is seen as easily manipulated. The ministry is also considering rule changes and introduction of a circuit-breaker system.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on December 17

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105⅝	106⅛	-⅛	5.37	ARBED 7 1/2 95 LFr	600	96½	97½	+⅛	9.05
ALBERTA PROVINCE 9 3/8 95	600	108⅛	109⅛		5.94	ECSC 7 3/4 94 LFr	1000	99⅞	100⅛	+⅛	8.15
[illegible]						[illegible]					

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	64	2	14
Other Fixed Interest	12	1	2
Commercial, Industrial	456	162	811
Financial & Property	165	77	556
Oil & Gas	11	11	63
Plantations	1	0	8
Mines	35	25	81
Others	38	40	38
Totals	782	318	1,573

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amt Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	127	100	BTR Warrants 1997	125	+5	-	-	-	-
§220	F.P.	-	250	231	Critchley Group	250	+3	L6.1	2.2	3.3	17.7
-	F.P.	-	103	100	For. & Col. PEP Inv Tst	102		F3.38	-	4.4	-
100	F.P.	-	99	98	Hoare Govett Smlr Co's	99		-	-	-	-
90	F.P.	-	103	98	Hunters Armley	98		W3.38	2.2	4.6	13.1
-	F.P.	-	33	30	Jos Hldgs Cap	33		-	-	-	-
-	F.P.	-	92	87	Do. Inc.	90		F11.5	-	17.0	-
-	F.P.	-	109½	101	Do. Zero Div. Pf.	108½		-	-	-	-
165	F.P.	-	183	168	National Express	182	+1	W7.12	1.5	5.2	12.0
-	F.P.	-	1½	1½	#Prime People Warrants	1½		-	-	-	-
-	F.P.	-	103	95	Second Consolidated	97		-	-	-	-
65	F.P.	-	239	73	Tadpole Technology	186	+7	-	-	-	-
120	F.P.	-	208	157	#Tepnel Diagnostics	191	+4	-	-	-	-
160	F.P.	-	198	165	Wetherspoon (J.D.)	198	+2	W4.8	2.6	3.2	16.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	113¼p	104¼p	Bristol Water 8¾pc Pf.	113¼p	+½
100p	F.P.	-	102¾p	100½p	Commercial Union 8¾pc Cnv. Pf.	102¾p	+½
100	F.P.	-	113	104¾	NFC 7¾pc Cv. Bd. 2007	110½	+½
150p	Nil	-	31ppm	29ppm	Wassall Non-Int Brg. Cv. ULS	31ppm	+5

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
25	P.P.	1/3	20	10	Property Trust	14	
240	Nil	27/1	47pm	43pm	Seton Healthcare	47pm	+2
465	Nil	19/12	145pm	120pm	Tibbett & Britten	145pm	+1

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Issued by way of rights. † Introduction. ‡ Placing price. ¶ Reintroduction. ◊ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Dec. 7
● Last Dealings Dec. 18
● Last Declarations March 11
● For settlement March 22

3-month call rate indications are shown in Saturday editions.

Calls in Albert Fisher, Amber Day, ASDA, Hammerson Ord. & A shares, Intercare, Premier Cons., Norex, Tadpole Tech. and Wheway. Doubles in Albert Fisher, ASDA, Kunick, Norex, Premier Cons. and Tarmac.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls			Puts		
Trafalgar (*77)	70	11	14	16	3	3½	6
	80	4½	7	10	6½	7½	11
Utd. Biscuits (*336)	330	16	24	29	8½	20	25
	360	4	11	16	29	41	45
Unilever (*1074)	1050	40	62	76	15	33	47
	1100	15	36	50	42	65	77
Option		Feb	May	Aug	Feb	May	Aug
Brit. Aero (*153)	140	27	35	38	13	20	22
	160	16	24	29	20	32	34
Barclays (*379)	360	22	36	41	11½	18	25
	390	3	21	26	15	38	42
Blue Circle (*185)	180	10	24	29	3½	17	26
	194	2	-	-	10	-	-
British Gas (*273)	260	16	24	28	1	6½	11½
	280	2	13	16	8	14	22
Dixons (*267)	260	10	26	32	4	18	26
	280	2	16	25	16	33	34
Eurotunnel (*324)	300	25	45	57	3	18	27
	330	5	29	40	17	34	40

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December 17 Total Contracts 38,049
Calls 24,277 Puts 13,772
FT-SE Index Calls 5,887 Puts 6,594
Euro FT-SE Calls 2,466 Puts 898
*Underlying security price. † Long dated expiry months
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Thu Dec 17	Day's change %	Wed Dec 16	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (24)	127.65	+0.09	127.54	2.06	12.02
2	5-15 years (23)	144.65	+0.14	144.46	1.73	13.51
3	Over 15 years (8)	152.54	+0.15	152.31	2.35	11.89
4	Irredeemables (6)	170.80	+0.25	170.38	1.67	13.68
5	All stocks (61)	141.41	+0.12	141.23	1.94	13.03
	Index-Linked					
6	Up to 5 years (2)	183.34	+0.10	183.15	0.82	3.68
7	Over 5 years (11)	162.77	+0.33	162.22	0.93	4.56
8	All stocks (13)	164.31	+0.30	163.82	0.92	4.42
9	Debs & Loans (62)	123.45	+0.45	122.89	2.94	11.13

AVERAGE GROSS REDEMPTION YIELDS

			Thu Dec 17	Wed Dec 16	Year ago (approx.)
	British Government				
1	Low	5 years	7.28	7.30	8.79
2	Coupons	15 years	8.25	8.26	9.37
3	(0%-7¾%)	20 years	8.49	8.51	9.37
4	Medium	5 years	7.59	7.62	9.74
5	Coupons	15 years	8.67	8.69	9.47
6	(8%-10¾%)	20 years	8.84	8.84	9.43
7	High	5 years	7.83	7.86	9.97
8	Coupons	15 years	8.96	8.97	9.54
9	(11%-)	20 years	9.04	9.05	9.47
10	Irredeemables(Flat Yield)		8.90	8.92	9.55
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.54	2.56	4.03
12	Inflation rate 5%	Over 5 yrs.	3.95	3.97	4.38
13	Inflation rate 10%	Up to 5 yrs.	1.67	1.69	3.35
14	Inflation rate 10%	Over 5 yrs.	3.75	3.77	4.19
15	Debs &	5 years	8.98	9.00	11.19
16	Loans	15 years	9.91	9.95	11.01
17		25 years	10.10	10.14	10.83

£13m customer rebate and largest dividend rise of regional companies announced

Yorkshire Electricity advances to £42m

By David Lascelles, Resources Editor

YORKSHIRE Electricity is to rebate each of its tariff customers £5 after announcing sharply higher profits and dividends for the six months to September 30.

Mr John Tysoe, chairman, said yesterday that the refund would cost the company £13m. "But we want to share the results of our good performance between our shareholders and our customers."

Yorkshire closed the electricity season with a 28 per cent increase in profits before tax to £42.5m (£33.1m). Earnings jumped 29 per cent to 14.8p.

The interim dividend is increased by 15 per cent to 6p, the largest increase announced by a regional company.

Mr Tysoe said: "Viewed against a background of the continuing deep recession throughout the country, this is an excellent result."

Although turnover and units sold fell in the period, there was an improvement both in cost control and in the number of bad debtors. Operating costs fell 7 per cent and staff numbers were reduced by 150.

There was a deterioration in both main activities. Operating profit from distribution fell to £57.4m (£59.6m), and the supply business loss rose to £18.3m (£17.9m). Offsetting this was a sharp improvement in non-core businesses such as retailing and contracting, where operating profits amounted to £1.7m compared to losses of £7.4m. Provisions in both years distorted these figures.

Yorkshire expects the recession to continue to affect its results for the remainder of the financial year, though further cost reductions should contribute to a growth in profitability.

Mr Tysoe said that Yorkshire was unlikely to sign any long-term electricity deals with the power generators until the uncertainty created by the coal review was removed. If anything, he would prefer an interim arrangement that would tide the industry over to 1994 when a fresh review of pricing arrangements is due.

● COMMENT

The numbers were not quite as rosy as they looked. The deterioration in both the supply and distribution businesses – though not indicative for seasonal reasons of the full-year outturn – showed how hard the recession is impacting, and the management's assessment of the outlook was not madly encouraging. Some analysts also thought that Yorkshire was not driving down on costs as hard as it had promised. The refund was a bit of a red herring because the regulator would have obliged Yorkshire to return the money anyway next year. But the result was good enough to preserve Yorkshire's reputation as the investor's most favoured rec. The estimated prospective yield of 5.6 per cent is the lowest in the sector, despite the thumping dividend increase.

Receiver may act against Clarke Foods' supplier

By Peggy Hollinger

RECEIVERS TO Clarke Foods, the ice-cream manufacturer, are considering legal action against Alfa-Laval, the Swedish engineering company, in respect of equipment supplied earlier this year.

Alfa-Laval has vigorously rejected any responsibility for difficulties encountered by Clarke. The equipment had been "delivered, installed and commissioned on a time schedule agreed with Clarke Foods", it has stated previously.

However, Robson Rhodes, the receiver, said it had evaluated potential claims worth "several millions" against the Swedish company.

Clarke Foods went into receivership in October with debts of about £40m. The group had experienced production problems in the early part of the summer, which meant it was unable to manufacture ice-cream during the hottest months. Ice-cream sales in the latter part of the summer were depressed by record wet weather.

The receiver also announced that the transaction by which Nestlé, the Swiss-owned foods group, acquired the main assets and business of Clarke Foods had been estimated at a value of £40.5m. Included in this was the receiver's evaluation of potential claims against Alfa-Laval.

Mr Ipe Jacob, of Robson Rhodes, said he would be making a report to the Department of Trade and Industry on the conduct of Clarke's directors, as was his statutory duty. "We are currently collecting information . . . from those who have made various allegations."

Low take-up for HunterPrint rights issue

By Paul Taylor

HunterPrint's investors have given the troubled specialist printer's £20m rights issue an unenthusiastic reception.

The company had offered investors one share for every 10 held at a placing price of 50p to raise a net £18.3m.

However, the board said yesterday that at the close of the offer, applications had been received for only 8.87m shares, representing 22.18 per cent of the shares on offer.

Out of the placing proceeds, £15.6m in cash will be used to pay lessors of printing equipment, which along with the £5.2m convertible preferences would eliminate HunterPrint's £36m lease obligations.

The lessors also agreed to take up to £3.9m of the placing shares.

Acatos boosted by sale of loss-makers

By Matthew Curtin

SHARES IN Acatos & Hutcheson jumped 15p to 170p as the manufacturer and supplier of edible oil products turned in a 13 per cent increase in pre-tax profits from £6.68m to £7.56m for the year to September 27.

The group reaped the full benefits of pulling out of its loss-making Spanish joint venture and selling its unprofitable UK plastics operation in the last year.

Although turnover fell to £200.9m, compared with £228.5m, net borrowings were slashed from £16.4m to £10.1m at the year-end because of sharply improved cashflow.

Lower interest rates helped interest charges fall to £1.37m (£3.1m).

Mr Ian Hutcheson, chairman, said that with results ahead of expectations, the group decided to bring forward capital spending plans. It made an exceptional charge of £1.5m to cover the depreciation provision for the accelerated replacement of buildings and plant.

He said the group had restored foundations for longer-term growth, and would concentrate on improving efficiencies to win back UK market share lost to European competitors in the past few years.

Earnings per share advanced from 13.3p to 15.2p. A proposed final dividend of 4p makes a total of 6.5p, compared with 5p last time.

US consortium buys Astra's remaining assets

By Andrew Bolger

THE LAST remaining assets of Astra Holdings, the munitions and fireworks maker which went into receivership earlier this year, have been sold.

The disposal to a US consortium, led by Lion Holdings Corporation, has saved about 1,000 jobs.

The businesses involved are: Astra Holdings Corporation, the US holding company. Tennessee-based Kilgore Corporation, which makes infra-red decoy flares and ammunition. Accudyne Corporation of Wisconsin, which makes armament fuses for the defence industry; and Acculyte of Virginia, which makes electronic circuitry.

Astra, which is being investigated by the Department of Trade and Industry, went into receivership in February, owing £50m to five banks.

Its principal UK subsidiary, BMARC, was sold to Royal Ordnance, in April for just under £10m. Its other UK subsidiary, Haley & Weller, was sold to Chemring Group in July. The other US business, Astra Precision Products, was sold to a US fund in June.

The disposals to date have raised about £30m. Although more money will be raised from selling some properties, the total will be short of the banks' exposure, so shareholders will receive nothing.

EIO plans to take up to 75% of St Andrew

By Philip Coggan, Personal Finance Editor

THE ECCLESIASTICAL Insurance Office is making a bid for St Andrew Trust, an investment trust specialising in smaller companies, which is managed by Martin Currie.

However, the bid is a technical one designed to leave Ecclesiastical with a holding of more than 50 and less than 75 per cent.

The move is designed to allow EIO to meet the EC's Third Council Directive on Non-Life Insurance, which was adopted on June 18. Regulations needed to implement the directive are expected to come into effect on July 1 1994.

The impact of the regulations will be that, for capital adequacy purposes, Ecclesiastical will need to have a majority holding in the trust. It currently has a holding of 40.3 per cent, some of which was acquired as part of a similar bid in 1985.

The Takeover Code requires Ecclesiastical to make a full offer for all the remaining shares of the trust. It is accordingly making an offer in cash, equivalent to 93 per cent of the trust's formula asset value (in essence, the net asset value minus expenses).

At present, the bid is worth about 215p per share, and values the 59.7 per cent of St Andrew which Ecclesiastical does not own, at £44.1m.

Ecclesiastical does not want to accumulate more than 75 per cent of St Andrew, as this would threaten its investment trust status. It wants Martin Currie to continue to manage the trust.

St Andrew yesterday put out a holding statement noting the offer. The shares were unchanged at 211p.

Morris Ashby

Morris Ashby has acquired Burdon & Miles from Silvermines Engineering and Technology, a subsidiary of Silvermines, for £921,000 of which £70,000 has been deferred.

Joint venture helps Wessex Water rise by 11% to £44.3m

By Angus Foster

WESSEX WATER, supplier of water and sewerage services from Bristol to Bournemouth, announced a 11 per cent rise in interim profits helped by the first full contribution from its joint venture with Waste Management of the US.

Pre-tax profits rose from £39.8m to £44.3m in the six months to September 30, despite lower interest earnings as capital investment eliminated cash holdings.

Mr Nicholas Hood, chairman, described the results as "sparkling" and said they reflected tight control of operating costs.

Turnover increased 8.3 per cent to £102.3m, mainly reflecting average price increases of 8 per cent. Recession led to an estimated 1.5 per cent fall in metered income from business and factories.

Operating profits rose 24 per cent to £42.1m as costs were held steady at £44.9m, reflecting restructuring advantages and tighter cost control.

Net interest earnings fell to £600,000 (£6.1m) as Wessex went from net cash of £15m to net borrowings of £9m. Capital expenditure totalled £74m (£52m) and is forecast to reach £130m for the full year.

Wessex Waste Management, the 49.9 per cent owned joint venture with Waste Management, made trading profits of £3.2m and remained on target, Mr Hood said. Five smaller waste businesses were acquired during the period at an initial cost of £6.3m.

Earnings per share increased from 36.2p to 40.6p. The interim dividend goes up to 7.3p (6.6p).

● COMMENT

Wessex is one of the best regarded water companies, both in terms of its core business management and the unregulated waste venture, and there was nothing in these figures to challenge that reputation. The jewel to provide Mr Hood's sparkle was control of operating costs. This flowed from reduced central overheads and cost control among individual business units, although overall costs were slightly flattered by a one-off reduction in depreciation. Outside the core, Wessex Waste Management continued to make progress and looks set to beat initial forecasts of a £6m contribution, which would be more than 7 per cent of trading profits. Full year forecasts of £85m put the shares on just under 8 times with a yield under 5 per cent. That is expensive relative to the sector, especially given yesterday's 7p rise to 584p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abtrust Pref ....int	2.90625	Jan 29	5.8125	-	11.68
Acatos/Hutcheson ....fin	4	Apr 13	3.25	6.5	5
Barcom ....fin	1.25	Feb 4	nil	1.25	nil
Bradstock ....fin	3.65	Apr 8	3.4	5.1	4.75
Bromsgrove Inds ....int	1.65†	Mar 10	1.5	-	4
Danae Inv Tst ....int	3.375	Mar 1	3.375	-	7.95
Devenish (JA) ....fin	6.35	Feb 23	5.05	7.85	6.25
Electra Inv Tst ....fin	3.4†	Feb 22	3.2	6.7	6.4
Gestetner ....fin	6.4	Apr 2	6.4	8.2	8.2
Gold Greenlees ....int	3.3	Apr 6	3.3	-	6.3
Grp Dev Cap Tst .....fin	0.3p	Feb 19	0.24	0.3	0.24
GWR Group ....fin	4	Apr 6	3	7	4
MS ....int	1	Feb 12	1	-	2.5
Multitone Elec ....int	1.5	Feb 24	1.25	-	3
SEP § ....fin	0.35	Apr 7	0.2	0.65	0.2
Shoprite ....fin	5.5	Apr 8	5.2	5.2	7.5
TGI ....int	0.5	Jan 25	nil	-	1 7/16
Turkey Trust ....fin	5‡	Feb 26	5	5	5
Wessex Water ....int	7.3	Apr 1	6.6	-	19.5
Yorkshire Elect ....int	6	Mar 29	5.23	-	17.76

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Includes special of 4p (same).

COMPANY NEWS: UK

Gestetner improves 21% to £27m

By Paul Taylor

GESTETNER Holdings, the international office equipment distributor which has recently been the subject of bid speculation, yesterday reported a 21 per cent increase in full year pre-tax profits to £27.2m.

Turnover for the 12 months to October 31 was flat at £900.3m (£898.3m).

A maintained final dividend of 6.4p makes an unchanged 8.2p total. Basic earnings increased to 22.2p (16.4p); fully diluted the figure was 12.1p (11.6p).

Mr Basil Sellers, chairman, would not comment on the bid rumours which have helped underpin a rise in Gestetner's share price in recent months. Yesterday the stock closed up 2p at 152p.

Last year he persuaded Ricoh, the Japanese office equipment manufacturer, to pay 250p per share for a 24.2 per cent stake in the group.

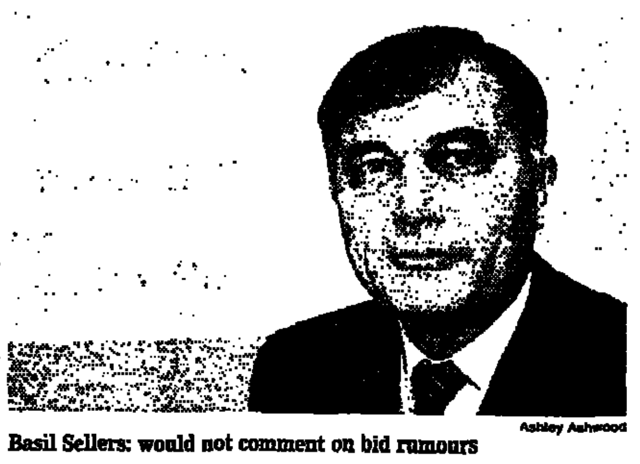
Commenting on the results Mr Sellers said that trading conditions in Gestetner's European markets had continued to be difficult. However, sales in its international and North American regions were "pleasing."

Second-half earnings were more than double those in the first half "reflecting a continual improvement in the trading performance of the group."

The group's core office automation products business reported a marginal increase in sales to £733.9m (£725m) and trading profits of £41.3m (£34.1m). Gross margins continued to slip reflecting reduced sales of older high margin products and the group's policy of reducing product prices to maintain market share. However, cost cutting in 1991 resulted in significantly lower operating expenses.

Copiers now account for 62 per cent of office equipment sales although digital duplicator sales are also rising.

The group's photographic products business suffered the effects of the recession with sales, adjusted for currency translation effects, falling 6 per cent to £166.4m and trading profit dropping to £4.7m (£8.9m).



Ashley Ashwood

Basil Sellers: would not comment on bid rumours

The camera business, which is being sold, had sales of £81.4m and trading profits of £1.1m. Mr Sellers said the sale of this business, announced in September, should be completed next month. The photographic supplies business, which is being retained, had sales of £85m and posted trading profits of £3.6m.

The effective devaluation of sterling in September had little impact on shareholders' funds, which rose to £262m (£250.2m) although gross assets and gross liabilities increased significantly. Net debt, including £37.9m of convertible unsecured loan stock, increased from £64.4m to £94.7m. The £30.3m increase mainly reflected a translation adjustment of £29.4m on net foreign debt.

● **COMMENT**

Gestetner's results were somewhat better than expected although there are still a few black spots like Canada. Revenues from service contracts and supplies have provided some protection from the recession, as has the opening up of new markets in Latin America and Asia. With almost 95 per cent of its sales outside the UK the group is especially vulnerable to currency fluctuations. If rates stabilise around current levels the profit and loss account should be a big beneficiary this year, even without an economic upturn in Europe. Currency translation accounts for all of the 12 percentage point increase in gearing to 36 per cent at year end. Results for this year are difficult to predict, but £35m pre-tax and fully diluted earnings of 15p are at the top end of expectations.

At those levels the stock is trading on low prospective p/e of 9.8, but if no real bidder emerges the stock may not go much higher.

Restructuring lifts Devenish

By Roland Rudd

A RESTRUCTURING and expansion of its pub estate helped JA Devenish, the West Country-based pub operator, overcome a disappointing holiday season in Cornwall to increase its operating profits from pubs to £16.8m (£16.5m).

Devenish withdrew from wholesaling and brands at the time of the failed bid from Boddington last year and used the £25m proceeds to buy an extra 45 pubs.

After leasing 115 pubs from Whitbread for eight years it increased its estate from 376 to 532 houses. Earlier in the year it bought 28 Roast Inns and Henry's Cafe Bars from Whitbread for £16.9m.

Capital expenditure rose from £8.5m to £33m.

Devenish believes its operating profits from pubs would have been £700,000 greater if had not been for the disappointing summer in Cornwall, where a third of its estate is based.

Profits from property disposals fell from £1.78m to £763,000.

Devenish's 30 per cent stake in the wholesaling businesses sold to Freetraders was responsible for increasing its share of profits from associated undertakings to £478,000 (£208,000).

Extra provisions of £1.4m put aside at the time of the sale were not needed and therefore gave rise, after defence and aborted disposal costs, to an extraordinary credit of £446,000 compared to a £5.14m charge.

Borrowings increased from £14.8m to £34.5m, giving gearing of 24.6 per cent.

● **COMMENT**

Devenish's decision to refocus its business and concentrate on pubs produced a satisfactory result in a difficult year. It would be hard, even for its potential adversary Boddington, to fault the strategy – not least because it argued for it last year when it made its failed bid. Investors will have to decide whether to take the more charitable view, that the present management can build on its performance, or the more cynical, which suggests that it has produced a one-off improvement in the face of another possible bid. Whichever view they take the shares look good value. Either the concentration on pubs will continue to boost profits or Boddington will make another bid. With forecast pre-tax profits of £14.5m, excluding property disposals, the shares - which rose 5p to 259p - are on a prospective multiple of 13.5, a slight premium to the sector average.

Merrydown shares rise 10% on listing news

By Peggy Hollinger

SHARES IN Merrydown Wine jumped 10 per cent to 248p as the USM-quoted cider company announced plans for a full listing and the purchase of the Schloer and PLJ brand names for a minimum of £8.2m.

The group said it intended to move to the official list on January 19 under the new name of Merrydown.

Mr Richard Purdey, chairman, said the transition had been inevitable, given the likely closure of the Unlisted Securities Market next year.

The acquisition of Schloer would give the group 29 per cent of the bottled fruit drink market, complementing its Piermont and Sorrelle products.

Merrydown will pay SmithKline Beecham an initial cash consideration of £4.35m for the brand names, to be funded by the issue of 2.73m shares. At 205p each, the share issue will raise £5.1m after expenses. A further £3.4m will be paid over three years.

The share capital will increase by 34 per cent as a result of the deal. Mr Purdey said the group would "work hard to ensure that shareholders' faith is repaid by a very considerable increase in earnings."

The brands are expected to make a marginal contribution in the year to end-March.

Mr Purdey said Merrydown would concentrate on expanding the ranges and increasing marketing. Sales of Schloer in 1991 were about £6.6m, and £817,000 for PLJ.

NEWS DIGEST

SEP jumps and plans £3m placing

SEP Industrial Holdings, the USM-quoted group which has interests in manufacturing, distribution and international trading, reported a sharp jump in pre-tax profits from £214,000 to £830,000 for the year to September 30.

The group also announced a placing and open offer of 23.4m new ordinary shares to raise £3.2m and said that it planned to seek a full listing for its shares.

Mr Paul Formby, chairman, said the result reflected the improved contribution from the distribution activities, loss elimination and interest savings arising from a reduction in group indebtedness. It was achieved on reduced turnover of £24m (£49.5m) but the interest charges were just £577,000 (£1.57m).

Earnings per share came to 1.42p (0.27p) and a proposed final dividend of 0.35p (0.2p) brings the total to 0.65p (0.2p).

Proceeds from the placing would assist the funding of the group's expansion programme, Mr Formby said, as well as any requirement for additional working capital. The shares will be placed at 14½p on the basis of one new share for every two held.

Overseas boost for Learmonth Burchett

A buoyant performance overseas and steady results from the UK, enabled Learmonth & Burchett Management Systems to report pre-tax profits of £753,000 for the six months to October 31, compared with losses of £281,000.

The USM-quoted supplier of information technology services also announced that it was raising a net £3.8m by a 1-for-4 rights issue of 3.47m shares and a subscription for 585,000 shares. Both offers are at 100p a share. The shares gained 10p to close at 129p.

The proceeds would be used to redeem the cumulative convertible redeemable preferred ordinary shares and the cumulative redeemable preference shares and to eliminate most of the group's borrowings.

Turnover in the period under review rose 6 per cent to £10.7m (£10.1m) of which the overseas contribution increased from 30 per cent to 40 per cent. US sales advanced by 30 per cent.

Earnings per share were 3.1p (losses 1.7p). The company said it was not in a position to pay an interim dividend, but if the expectations for the full year were realised it would be able to recommend a payment at the year end.

Westport returns to the black

In a "difficult business climate" Westport Group, the USM-quoted exhibition, photographic services and markets specialist, turned round from pre-tax losses of £373,000 to profits of £111,000 in the half year to October 30.

Turnover improved by 9 per cent to £7.98m (£7.31m). Earnings per share amounted to 0.09p (0.12p losses).

Looking ahead, Mr Ralph Kanter, chairman, said he anticipated the group returning to profit for the full year. Losses were £925,000 in 1991-92.

Tinsley Robor reduces losses

Tinsley Robor, the specialist printing and packaging company, reduced its pre-tax losses from £398,000 to £132,000 in the six months to September 30.

This was struck after a rise in operating profits to £226,000 (£30,000), a fall in interest charges to £358,000 (£428,000), and a provision for a single bad debt of £195,500.

Mr John Rose, chairman, said that trading conditions had remained "difficult across the whole group with continued severe pressure on margins". However, turnover advanced 15 per cent to 12.4m, with most of that growth coming from the music sector.

Losses per share shrank to 0.38p (1.37p) and there is no interim dividend (0.75p).

Multitone little changed at £875,000

Multitone Electronics yesterday reported little changed pre-tax profits of £875,000 against £864,000 in the first half to October 31, in what it described as further worsening trading conditions.

Sales of the paging systems and equipment maker, rose 6 per cent to £12.1m (£11.4m) and development expenditure was increased to £1.11m (£946,000).

A higher interim dividend of 1.5p (1.25p) is payable from earnings per share of 4.03p (3.73p).

Optometrics falls to $29,000

Optometrics Corporation, the USM-quoted optical systems specialist based in Massachusetts, saw pre-tax profits for the six months to September 30 fall from $77,000 to $29,000 (£19,000).

The company also announced the acquisition of Intercon, a US distributor of scientific instruments. No price was disclosed.

Turnover for the half year was $1.76m ($1.56m) and earnings per share came out at 0.05 cents (0.6 cents).

The company has called an extraordinary meeting to increase the authorised share capital from $120,000 to $200,000 and allow the company to buy up to 10 per cent of its capital in any fiscal year.

GWR more than doubles to £721,000

Pre-tax profits of GWR Group, the USM-quoted independent radio contractor, more than doubled from £339,000 to £721,000 in the year to end-September.

The result was struck on turnover up by £1.14m to £8.64m. Earnings rose by 95 per cent to 15.6p per share and the final dividend of 4p (3p) raises the total for the year to 7p (4p).

Amberley incurs £79,000 loss

Amberley Group, a provider of building preservation services, ran up a loss of £79,000 pre-tax for the half year ended September 30. That compared with previous profits of £75,000.

First half turnover totalled £1.62m (£1.59m). Losses per share were 1.44p (0.59p earnings).

Barcom back in black with £0.7m

In a year of change and development, Barcom, the civil engineering and plant hire concern, maintained its recovery to finish the 12 months to September 30 with a pre-tax profit of £702,000, against a restated £4.82m loss.

Sales totalled £11.5m (restated £6.34m) and earnings per share were 9.2p (235.5p losses). A dividend of 1.25p (nil) is recommended.

Exceptional credits came to £204,000 (£1.71m debits) comprising profits on sale of freehold properties. Last year's figures were restated to account for the disposal of Venture Plant (Scotland) as an extraordinary charge instead of an exceptional item.

Shoprite progress pushes shares up 8%

Shares in Shoprite Group jumped 8 per cent, from 528p to 572p, as the grocery and vehicle retailer announced record pre-tax profits of £2.71m for the year to November 1.

The Isle of Man-based group, which also has property interests, reported the rise from a previous £1.11m on sales well ahead at £87.5m (£45.4m).

The progress was attributed to its performance in Scotland. However, the rapid expansion there pushed gearing to 66 per cent, breaching the group's ceiling of 60 per cent.

Earnings per share jumped from 8.7p to 18.9p. The final dividend is increased to 5.5p, which together with the maiden interim of 2p makes a total of 7.5p (5.2p).

TGI sharply lower at £0.35m

Pre-tax profits of TGI, a designer and manufacturer of loudspeakers and related equipment, fell from £671,000 to £348,000 over the six months to September 30.

The corresponding figure included exceptional gains of £451,000 on the disposal of the Havant property.

Turnover was little changed at £16.1m (£16.82m). However, the prior year figure was boosted by an Indonesian contract.

Earnings declined to 1.5p (2p) but the company is resuming interim dividends via a distribution of 0.5p.

First Technology rises sharply to £807,000

By Richard Gourlay

FIRST TECHNOLOGY, the car safety business which makes crash test dummies, continued to lift profits after the reorganisation of its balance sheet earlier this year.

Mr Fred Westlake, chairman, said the group hoped to return to the dividend list with a final payment for the current year.

For the six months to end-October pre-tax profits increased from £83,000 to £807,000 on sales down 29 per cent at £11.4m

The interest charge dropped from £425,000 to £181,000 as gearing fell from 150 per cent to about 100 per cent. The group expects this to fall to 85 per cent by the year-end, depending on the exchange rate of the dollar.

Mr Westlake said there were signs that the fall in car sales in Europe had flattened out while in the US, the big three car makers were reporting a return of sales growth.

"Future trading prospects are bright and the improvement in profitability should continue," he said.

In both the sensors and dummies businesses, the group was winning new business from existing customers, Mr Westlake said.

First Technology has recently won orders to supply to General Motors a new accelerometer, a device that will help Cadillac's suspension system create a smoother ride.

Fiat also said recently it would fit First Technology's fuel cut-off switches to its new model, code-named the Tipo B, and Honda would be fitting the device to the new Accord at its Swindon plant.

Earnings per share were 4.2p (0.3p losses).

● COMMENT

Chastened after its unsuccessful trip down acquisition lane, First Technology appears to be back on track in a much slimmed-down version. The four-fold increase in the share price since the company nearly collapsed might suggest the recovery story is over. But First Technology's particular niche in sensors appears to be growing with big orders coming through from Fiat, General Motors and Honda. And with more focused marketing, the dummies business, which has been held back by recession, should make a greater contribution. Shareholders have had a rough ride since the shares hit 500p in 1990 and may yet have to participate in a strengthening of the balance sheet. But they should now be sanguine that future growth will be sought from new customers and new products rather than from acquisitions. Pre-tax profits are likely to be £1.7m this year, giving 8.4p of earnings, and a prospective multiple of 12 that is still undemanding.

Bradstock falls 7% in tough trading

By Richard Lapper

A CONTRACTION in the London reinsurance market and the costs of expansion depressed Bradstock Group in the year to September 30.

The insurance broker reported a 7 per cent fall in pre-tax profits from £8m to £7.43m.

Although earnings per share fell to 8.5p (8.9p), the total dividend is increased to 5.1p (4.75p) via a final of 3.65p.

Turnover rose 11 per cent to £24.4m (£21.9m), but expenses rose by 16 per cent to £20.3m (£17.5m).

Turnover from broking of direct business was 25 per cent up at £12.8m, but reinsurance broking revenue fell to £11.6m (£11.7m), despite underlying growth in original currencies.

Investment income fell to £3.34m (£3.58m).

Mr Robin Gibson, chief executive, said that the departure of a number of Lloyd's syndicates and companies from the London market had increased competition among brokers. "Every time a reinsurance underwriter goes, someone loses a bit of his business."

Growth in direct business had been fuelled by a strong performance by the group's insolvency business. This specialised in finding insurance for insolvent companies when they were taken over by liquidators.

However, costs arising from a new Southend office, devoted to this area, as well as a recent head office move and new premises for a bloodstock broking business had cut into profits.

Mr Gibson said that on an underlying basis expenses had grown at a rate of 9 per cent.

TR Technology up

Total net assets of TR Technology, an investment trust, rose 8 per cent to £200m over the half year to October. Net income was £1.48m (£1.65m) and earnings per share 1.04p (1.64p)

Too strong a dose of medicine

Paul Abrahams on tough new DoH proposals

THE ASSOCIATION of the British Pharmaceutical Industry will today request the Department of Health to abandon proposals to extend blacklists of products for which the National Health Service will not pay.

The surprise proposals, announced last month by the Department of Health, could cost drugs groups up to 70 per cent of their National Health Service turnover, according to figures compiled by the Financial Times.

The 10 therapeutic areas on the new blacklists include anti-diarrhoeals, hypnotics and anxiolytics, appetite suppressants, contraceptives, topical anti-rheumatics, as well as treatments for allergic disorders, vaginal and vulval conditions, anaemia, ear and nose illnesses and skin diseases.

Full details of the individual drugs to be blacklisted are only likely to be revealed in April.

However, the sector as a whole could lose sales of up to £450m, jeopardising 5,000 jobs and £400m in capital investment, according to the ABPI.

The drugs will still be available on private prescription instead of the NHS, but this means additional costs to the patient, according to PA Consulting, the management consultants.

Some of the drugs, but not all, could be marketed over the counter at pharmacies without prescription.

Although, Glaxo, the UK's biggest drugs group, is most affected in absolute terms – it could lose about £39m in sales – some UK subsidiaries of non-British groups are proportionally likely to be far worse hit.

Stiefel, based in High Wycombe, could lose up to 75 per cent of NHS sales if its skin treatments are included on the blacklists. The UK subsidiary of US group Schering-Plough could lose 70 per cent of its sales.

Schering of Germany's British arm could experience a 37 per cent drop in revenues if its three oral contraceptives, Femodeen, Logynon and Microgynon are included on the list. However, the company believes is unlikely.

Marion Merrell Dow of the US could lose £16m if its NHS turnover of its anti-histamine Triludan is included. The group is partly protected because the product is already sold over the counter without a prescription.

About 625 products are affected. Other well-known products include Glaxo's eczema treatment Betnovate, Bayer's anti-fungal Canestan, Wellcome's decongestant Sudafed, Pfizer's anti-rheumatic Feldene and Wyeth's Beconase.

Mr Mike Wallace, managing director at Schering Healthcare, says: "Whether in the UK, the US or on the Continent, there is clearly a need for more resources in healthcare. If they cannot come from tax revenues, then the money must come from patients. Admittedly, any change in financing is inevitably political. There must be some form of safety net for those without resources."

The industry would even be willing to negotiate price freezes or a reduction on the return of capital employed governed by the Pharmaceutical Price Regulation Scheme, the agreement that sets UK drugs prices, says Mr Peter Martin, director of marketing at Schering-Plough.

The ABPI says the future development of medicines could be hit by the blacklists.

It points out that since seven therapeutic categories were blacklisted in 1985, only three products have been granted licences in those areas. Drugs groups see little point going to the expense of developing products that will not generate NHS sales.

"The government's approach could cause a rethink about decisions to invest in the UK," says Mr David Alcroft at PA Consulting.

Drug revenues at risk from prescription reforms (worst case)

Company	Revenues at risk (£m)	Company's sales to NHS (£m)	% of company's NHS sales
Schering-Plough	8.5	12	70
Marion Merrell Dow	16	42	38
Schering	18	48	37
Wyeth	13	50	26
Bayer	20	87	23
Lederle	11	51	21
Glaxo	39	280	14
Pfizer	8	60	13
Wellcome	10	95	10
SmithKline Beecham	1	140	0.7

Recovery continues at MS Intl

RECOVERY continued at MS International, the Doncaster-based engineer, in the six months to October 31 with pretax profits of £250,000, against £175,000.

Mr Michael Bell, chairman, said that the figures demonstrated that the company was "firmly established on the recovery path".

Turnover was 8 per cent lower at £13.8m (£15m) reflecting the depressed economy. Earnings per share were 0.6p (0.4p) and the interim dividend is held at 1p.

The company said that the defence-related industries had made an encouraging start to the year and there had been a marked improvement at MSI-Hughes.

Net borrowings over the period fell from £782,000 to £203,000 in spite of making the penultimate payment of £500,000 to the purchaser of the Laurence Scott companies.

Electra lifts pay-out in 'difficult year'

By Philip Coggan, Personal Finance Editor

ELECTRA Investment Trust, the largest trust in the venture capital sector, announced a 6.3 per cent increase in its final dividend, despite suffering a fall in its net assets over the year to September 30.

Mr Michael Stoddart, chairman, said "It has been a particularly difficult year for organisations such as Electra whose investment strategy has been to invest in small and medium-sized listed and unlisted companies. These in the main have borne the brunt of the worst recession since the 1930s."

In recent years, recession has forced a number of trusts in the venture capital sector, such as Drayton Consolidated and Ensign, to make substantial write-downs on their unquoted holdings.

This has aroused considerable disquiet among investors about the way that trust managers value their unquoted holdings – as a result, venture capital trust shares stand at substantial discounts to their asset values.

Fully diluted net assets per share fell to 277.87p from 304.53p at end-September 1991.

Mr Stoddart said "there was an increase in the value of the North American unlisted portfolio, which has been offset by a further deterioration of our UK unlisted portfolio and a substantial reduction in the value of our unlisted portfolio." He would not give details of the size of these shifts, but said they would be given in the trust's annual report and accounts.

During the year, $40m (£26.3m) of promissory notes were converted into ordinary shares, substantially reducing gearing.

Earnings per share rose from 7.351p to 7.526p and the final dividend is increased to 3.4p, making a total of 6.7p (6.4p).

Bromsgrove advances 25% but remains cautious on outlook

By Paul Cheeseright, Midlands Correspondent

BROMSGROVE Industries, the Birmingham-based specialist engineering group, increased pre-tax profits by 25 per cent on the back of recent acquisitions but remained cautious about its immediate prospects.

The increase to £4m (£3.2m) for the six months to September 30 came on turnover ahead to £54.1m (£39.4m).

Earnings per share, on capital enlarged last March by a 1-for-4 rights issue, were 4.07p against 5.41p. The interim dividend goes up 10 per cent to 1.65p; Mr Bijan Sedghi, chairman, said the group would "look to an increase in the final dividend."

Although Mr Sedghi described Bromsgrove's medium to long-term performance as "a sound prospect", he observed that the short term depended "upon there being no interruptions to customer schedules." Bromsgrove is already experiencing sharp fluctuations in the schedules of automotive customers like Ford and GM.

Mr Sedghi would go no further in predicting the second half's outcome than saying "we aim to be cash generative, more profitable."

The acquisition of Thornton, a precision forgings company, and of companies to form an environmental engineering division at the end of the 1991-92 financial year contributed £1.6m to the first half outcome. Businesses owned by the group at the end of last year's first half reported pre-tax profits 15 per cent lower.

Of the group's other five divisions, automotive and industrial reported a downturn in first half profits compared with 1991-92, while there were increases from aerospace, marine and offshore and, especially, from plastics where the Trisport subsidiary introduced with great success into the US a new range of systems for golf footwear.

Gold Greenlees falls to £2.17m

By Gary Mead, Marketing Correspondent

Gold Greenlees Trott, the advertising group, yesterday reported pre-tax profits for the six months ended October 31 of £2.17m, down from £2.49m last time before exceptional credits of £482,000.

Earnings per share were down 30 per cent at 8.2p (11.63p), but the interim dividend is maintained at 3.3p.

Operating profits were £2.96m, down 9.9 per cent. However, with turnover up by 1.8 per cent to £105m and revenue increased by 1.3 per cent to £21.88m, the group showed some resilience, although it suffered from depressed trading levels.

CONTRACTS

Supplying drilling module

A contract worth abut NKr400m (£38.1m) for fabricating the drilling module for the Heidrun production platform has been awarded to **KVAERNER ROSENBERG.**

Placed by Conoco Norway Inc, the development operator for the Heidrun field off central Norway, the contract will be executed by the Kvaerner Egersund yard in Egersund south of Stavanger.

An average of 300 people will be employed on the module over an 18-month period, with the workforce expected to peak at around 600 next summer. Work will begin immediately and last until July 1994.

The Heidrun contract gives Kvaerner Egersund a good base workload up to spring 1994, and raises the yard's order backlog to about NKr800m (£76.2m).

Refurbishment

NICO CONSTRUCTION (EUROPE) has won four refurbishment and fit out contracts in central London worth £10.3m.

The first includes the completion of the third phase of an upgrading programme at BP Oil's Britannic Tower in the City and significant refurbishment of building services and bespoke internal fitting out at Devonshire House for Hamilton Oil Company.

The fit out contracts include a former listed church in Victoria for Intergraph (UK) and restaurant facilities for the Royal Mail at Mount Pleasant.

Airport terminal

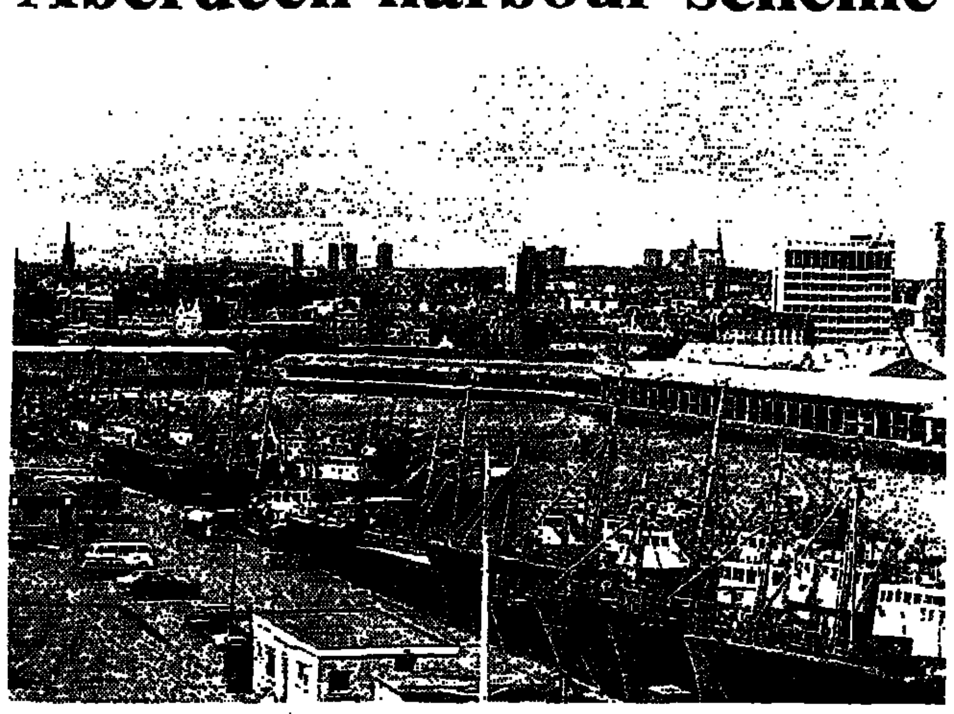
Eglinton Airport near Londonderry is being given almost £5m by the European Regional Development Fund to help build a new terminal building and road access.

Derry City Council expects 120 new jobs to be created by the end of the decade.

Paint agreement

MANDERS has won a long-term agreement to supply own brand paint to the Wickes Group. The contract will be supplied from its new plant in Wolverhampton.

Aberdeen harbour scheme



The development of a new multi-berth facility at Aberdeen harbour has taken a significant step forward with the placing of the main construction contract.

Valued at almost £8.5m, the contract has been placed by Aberdeen Harbour Board with **BIRSE CONSTRUCTION.**

Work on the contract will begin early in 1993 for completion towards the end of the year and will employ up to 100 workers at its peak.

The project includes dredging and removing 250,000 cu metres of material, pouring more than 100,000 cu metres of concrete and the installation of 6,500 tonnes of steel piles.

The £11m redevelopment of the former shipyard site will create more than 500 metres of quay and five deep-water berths, increasing Aberdeen's capacity to handle shipping by 10 per cent.

A new transit shed will also be built as part of the contract.

German power station generator order

GEC ALSTHOM's Man Energie GmbH subsidiary has been awarded a £31m order by RWE Energie AG to design and supply a 155MW steam turbine generator for the KoBra combined cycle demonstration plant which is to be built at the Goldenberg power station south of Cologne.

Man Energie already has overall engineering responsibility for the plant.

EVT, another GEC-Alsthom German subsidiary, has been selected to design and supply components for KoBra's integrated lignite gasificafion plant.

The KoBra demonstration plant will be the first plant in Germany to produce electricity using both coal gasification and combined cycle technology. It is hoped that the project will lead to further orders for fullscale commercial plants which would herald a new generation of clean, high-efficiency power stations in Germany.

Compared with conventional power stations, the KoBra prototype is expected to attain 30 per cent higher efficiency when it starts commercial operation in 1996.

It will also reduce emissions of sulphur and nitrous oxides to well under statutory levels whilst the improvement in efficiency will lower carbon dioxide emissions.

Equipping the National Grid Company

PEEBLES POWER TRANSFORMERS, a unit of Edinburgh-based NEI Peebles, and **REYROLLE PROJECTS,** the project management business of NEI Reyrolle, of Hebburn on Tyneside, have won orders worth a total of £8m for a project being carried out by the National Grid Company.

NEI Peebles has won an order worth £5m for what is believed to be the highest rated quadrature booster ever installed in the UK, and probably the largest in the world. The 2,000MVA, 400kV unit will be delivered next year.

In addition, the NGC has placed an order worth more than £3m with NEI Reyrolle, of Hebburn on Tyneside, to supply 420kV gas-insulated switchgear for the same project.

The quadrature booster comprises a shunt unit and a series unit with a total shipping weight of 500 tonnes. It will be installed at Stocksbridge, near Sheffield.

Railway projects won by Mowlem

MOWLEM MANAGEMENT has won two railway projects. The largest is a £10m design, manage and construct contract for repairs, refurbishment and upgrading of depots, sheds and sidings at 29 sites throughout the London Underground network.

The work comprises the provision of staff facilities, offices, canteens, storage and toilets. The buildings are between 15 and 100 years old; some will be refurbished while others will be demolished and replaced by new buildings.

All the train sheds will be refurbished and other work includes the upgrading of safety, maintenance and cleaning equipment.

The second, at Upminster in Essex, is a £2.4m contract for a British Rail signalling facility which will centralise and upgrade signalling on the London, Tilbury and Southend railway. The two-storey 1,250 sq metre building will be built on piled foundations, have a steel frame with metal cladding and a roof of pressed metal sheeting.

After Mowlem has completed building works signalling equipment will be supplied and fitted by GEC under a separate contract. Work is due for completion by October 1993.

In Gibraltar Mowlem Management has been awarded a £3.5m contract for the Europa Business Centre. This EC-funded scheme involves the alteration and refurbishment of a former Ministry of Defence dockside warehouse to create a small business centre comprising industrial units, office suites and a training centre.

Waste treatment

SIMON-HARTLEY has gained orders worth over £2.5m for waste treatment equipment. The contracts include: £1.5m for a number of stainless steel sluice gates for Beckton Sewage Treatment Works, London; and £700,000 for the supply of electrical and mechanical equipment for a sewage pumping station in Hong Kong.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 18.12.92 Pool purchase price £/MWh	Final Prices for Trading on 20.11.92 Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.70	18.64	18.64
0100	22.59	22.93	24.19
0130	28.17	31.25	32.84
0200	28.17	31.25	32.77
0230	22.53	22.93	24.11
0300	22.53	22.93	24.11
0330	22.53	22.93	24.12
0400	19.88	20.80	20.80
0430	17.72	18.26	18.26
0500	17.71	18.50	18.50
0530	17.88	18.65	18.65
0600	17.88	18.40	18.40
0630	18.54	18.80	18.80
0700	19.88	23.05	24.30
0730	23.23	23.38	24.63
0800	23.44	26.72	28.08
0830	26.02	27.04	28.38
0900	26.02	27.04	28.38
0930	26.02	28.01	29.37
1000	26.02	28.01	29.36
1030	26.02	28.01	29.36
1100	24.27	28.01	29.36
1130	24.04	27.04	28.36
1200	26.02	28.01	29.36
1230	26.02	28.01	29.36
1300	24.27	28.01	29.38
1330	24.04	27.04	28.38
1400	24.04	23.56	24.77
1430	20.46	23.55	24.77
1500	20.46	21.00	21.00
1530	20.46	21.15	21.15
1600	24.04	23.58	24.80
1630	28.58	30.54	32.55
1700	28.59	36.93	39.67
1730	28.58	37.47	40.08
1800	28.59	35.59	37.87
1830	28.58	29.22	30.64
1900	24.04	28.14	29.41
1930	23.25	28.04	29.30
2000	23.23	28.02	29.30
2030	23.19	23.38	24.55
2100	22.91	23.38	24.57
2130	22.77	23.38	24.58
2200	22.77	23.38	24.59
2230	20.03	20.80	20.80
2300	17.88	18.45	18.45
2330	17.71	18.20	18.20
2400	17.71	18.20	18.20

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0802-458788 between 8.30am and 6.15pm Monday to Friday.

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EC sets banana quota and tariffs

By David Gardner in Brussels

EUROPEAN COMMUNITY farm ministers agreed yesterday to set tariffs on banana imports from Latin America, with a fixed 2m tonnes quota at a reduced duty of Ecu100 (£79.50), and a hefty Ecu850 tariff – about 170 per cent – on imports above that level.

Ministers said the deal should remove one more contentious item from the Uruguay Round world trade reform talks going on at the General Agreement on Tariffs and Trade in Geneva, because the EC has moved from protecting its market through quotas to tariffs, which can gradually be reduced.

But a lawyer acting for Latin American producers said he was "shocked and angry" at this "worst possible disaster", and predicted the deal would be challenged both in the European Court of Justice and within the Gatt.

The agreement is supposed to reconcile until now conflicting goals.

The EC was forced to act to complete the single market, by attempting to unify disparate banana regimes across Europe. Yesterday's agreement will come into effect next July, six months after the single internal market starts up – if there are no legal challenges.

But the EC also has to honour treaty commitments to predominantly Caribbean and African producers linked to it through the Lomé convention. Lomé has a protocol saying the EC will not place its banana producers "in a less favourable situation than in the past or the present".

The Lomé countries, like Euro-banana suppliers from EC outlying territories in Martinique and the Canary Islands, produce at near double the cost of Latin American, "dollar zone" banana producers. The former two groups share two fifths of the 3.4m tonnes a year EC market, but "dollar" bananas already have 60 per cent and with their lower costs could fast extend market share in a free-for-all.

The Caribbean producers, which earn up to three quarters of their hard currency from bananas, would be wiped out in an open market and their lobbyists have warned that they would become easy prey to drugs traffickers using the eastern seaboard into the US.

Mr John Gummer, UK agriculture minister and current chairman of the EC farm council, said yesterday that Caribbean and Lomé producers "will be absolutely amazed at the excellence of this deal".

In addition to the high tariff above the 2m tonne quota, the agreement would distribute licences to sell about a third of the dollar fruit to traditional importers of Lomé and Euro bananas, enabling them to cross-subsidise their own operations.

"This is taking away the right to import from the Latin Americans and giving it to the Lomé traders," a spokesman for a dollar banana producer said.

Germany, along with Denmark and the Benelux countries, had been expected to resist the plan. They consume cheaper and bigger dollar bananas and operate more open markets for the fruit. Germany, in addition, has its own banana protocol in the Treaty of Rome, guaranteeing unimpeded access to the fruit. Bonn yesterday affixed a reserve to the deal, but cannot block it, unless, as one lawyer suggested, it invokes its banana protocol.

The banana deal's passage was eased because it was put into a package of measures, which in part resembled a Christmas stocking of concessions to EC farmers protesting against Gatt and common agricultural policy price, output and export cuts. The main features of the package, likely to cost some Ecu2.5bn, were:

- Retention for two years of the "switchover" mechanism, compensating farmers for currency movements, once monetary compensatory amounts are abolished with the advent of the single market on January 1. The commission, which also wanted to abolish switchover, estimates that the cost of the last six month's currency movements would be Ecu1.6bn in a full year. One senior Brussels official predicted switchover would push farm spending through its allowed ceiling in 1994. At last weekend's Edinburgh summit, France, a significant beneficiary, got a clause in to the conclusions more or less sanctioning this.
- More money for beef and durum wheat farmers in central and south-west France, sheep and beef farmers in Ireland and sheep farmers in the UK.
- A 900,000-tonne milk quota increase for Italy, provided it reduces its 2.5m tonnes illicit excess by 1.6m tonnes.
- Compensation to Spain for giving up protection against imports it still enjoys as a latecomer to the EC. But Portugal will retain border protection, having complained that compensation offered was insufficient. The commission had estimated the cost of buying off both sets of controls at Ecu630m.
- In the UK interim measures would be necessary from January 1 to ensure that the UK could continue to fulfil its Lomé obligations to traditional suppliers in the Commonwealth Caribbean, Mr David Curry, junior agriculture minister, said in a parliamentary written answer yesterday.

"Under our interim measures, a DTI import licence will still be required for dollar bananas, including those in free circulation in another member state, after January 1, 1993," he said. "It will continue to be an offence to import dollar fruit into the UK without a licence."

UK fishermen fear further cuts in 1993

By James Buxton, Scottish Correspondent

BRITISH FISHERMEN are expecting to be granted a substantial increase in the quantity of haddock they will be allowed to catch in the North Sea next year when the European Community's fisheries council meets in Brussels tomorrow to decide on quota allocations. But they are still looking forward to 1993 with foreboding because they fear that conservation measures to be brought in under the UK government's new fisheries legislation will reduce their fishing and cut their incomes.

The European Commission has been advised by independent scientists that stocks of haddock in the North Sea have recovered from the low levels of 1990 and 1991. This should allow the UK's haddock quota to rise from about 43,000 tonnes this year's of to about 75,000 tonnes.

The cod quota is likely to be close to this year's at about 100,000 tonnes, but there should be higher quotas for pelagic species – mackerel and herring.

Both the UK government and the commission are anxious that the recovery in stocks of haddock, one of the most popular fish among British consumers, should not be dissipated by renewed overfishing. From early next year the government will use new powers to regulate fishing under the Sea Fish (Conservation) Act, which recently won parliamentary approval. This will oblige fishing boats to spend many days of the year tied up in port, with the each boat's restriction based on the amount of fishing it did in 1991.

The government believes this will ensure access to fishing is allocated fairly and that supply of fish to the market will be more even, avoiding the gluts which led to sharp price falls this year.

Fishermen fear they may have to spend up to 190 days a year in port, which will prevent them catching their quotas. The government will not say what tie-up time is likely next year but insists that all the UK's quota will be caught.

Next year sees the UK introducing a small decommissioning scheme involving £25m over the next three years, which would cut the fleet by between 5 and 7 per cent. Fishermen who last week staged a big demonstration in Edinburgh against the EC's common fisheries policy say it is insufficient.

"The government has a blind adherence to effort limitation as the way of conserving fish stocks, with a totally inadequate de-commissioning scheme. It boils down to decommissioning by bankruptcy," says Mr Roderick McColl, for the Scottish White Fish producers' association, which represents a large part of the UK North Sea fleet.

Austria's only aluminium smelter to close

By Eric Frey in Vienna

AUSTRIA'S ONLY aluminium smelter in Ranshofen is finally set to close at the end of the year. The state-owned aluminium company Austria Metall (Amag), which operates the smelter, has also put up for sale two international smelting operations in order to reduce its mounting losses.

Over the past few years, Ranshofen's output has been cut to 30,000 tonnes a year from 80,000 tonnes as falling world aluminium prices have made it impossible to turn a profit. In addition Amag is trying to sell its 20 per cent interest in the Australian smelter Boyns, which has an annual capacity of 46,000 tonnes, and its 33.3 per cent stake in Aluminiumschmelze Hamburg, a 46,000-tonnes-a-year smelter in northern Germany. No buyers have yet been found.

Oil market consolidates its gains

By Deborah Hargreaves

THE OIL market consolidated its gains yesterday after Wednesday's rally with the price of North Sea Brent crude oil for February delivery up 15 cents at $18.45 a barrel.

Some traders believe the market could have reached a bottom after its recent weakness, but there is unlikely to be a strong recovery in price until the market sees evidence of actual production cuts made by members of the Organisation of Petroleum Exporting Countries.

"It's too premature to say the market has bottomed, but I think it has stopped going down for a while," said Mr Andrew LeBow, market analyst at E.D. & F. Man, the international trading house in New York.

Strength returned to the crude market on Wednesday after Nigeria announced it would make a 10 per cent cut in its oil output. Lagos has found difficulty in selling its crude recently and had sold several cargoes on a cut-price basis.

Nigeria said yesterday its cut in oil output would be effective from the beginning of next year and not immediately as some traders had thought on Wednesday night. This had a slight dampening effect on the market, but price still managed to push upwards. The market was further strengthened by the American Petroleum Institute's weekly report on Tuesday night which showed that US oil refineries had cut their production runs by 500,000 barrels of oil a day. Refineries had been producing a lot of oil products that had built up as stocks while demand remained low. These stocks had, in turn, depressed crude prices.

Germany moves to end gold VAT

DEUTSCHE BANK'S vice-president of precious metals Mr Fritz Plass yesterday called for taxes to be lifted on gold in all major European Community countries, including the large British market, as Germany moved to scrap value added tax on the metal, reports Reuter. "We want a level playing field and are not looking for any competitive advantage over London, we are seeking the London bullion market's support in negotiations with the EC," he said.

On Friday the Bundesrat is expected to pass a law freeing all gold bars, granules, legal tender coins, paper-gold and derivatives from VAT.

Chicago Board of Trade may extend trading hours

By Laurie Morse

THE CHICAGO Board of Trade, under pressure from overseas competition and lagging agricultural volume, is considering changing the trading hours for its grain and soyabean futures.

While the exchange's frenetic financial futures trading floor has undergone a number of changes in its trading day over the last decade - including the introduction of a night bond session - its 3 hour and 45 minute grain trading session has been sacrosanct. CBoT traders have opened their grain markets at 09:30 central standard time and closed them at 13:15 since 1885.

Plans to break with that tradition have not been favourably received, and the new hours proposals were recently sent back to an exchange committee for further study. "Change for change's sake is not a good idea," says Mr Kal Hachem, vice president for Cargill Investor Services agricultural futures group. "Longer hours do not necessarily mean more volume."

The CBoT's agriculture executive committee is proposing that grain futures open 90 minutes earlier and close 45 minutes earlier, in a bid to garner more European business. A second proposal, extending the session by six afternoons a year to keep trading open during the US Department of Agriculture's major crop reports, is also being considered.

While competition for global market share in financial futures is fierce, the CBoT has enjoyed a near monopoly on maize and soyabean futures trading throughout their history. However, CBoT officials see subtle changes coming, and fear complacency may cost the exchange important business.

The Tokyo Grain Exchange this year introduced an import maize futures contract that is rapidly building volume, and France's Matif is considering a feed wheat futures contract. Chicago traders also have a healthy respect for their London competitors.

Mr Michael Jenkins, who helped build make the London International Financial Futures Exchange into the world's third-largest futures exchange, recently took over the helm at London's Futures and Options Exchange. "The Fox intends to go after agricultural futures, and now they have Michael Jenkins," says one CBoT official.

Internal pressures may also dictate a change. Globex, the electronic after-hours trading system that the CBoT owns in partnership with the Chicago Mercantile Exchange and Reuters, will eventually list the CBoT's grain and soyabean contracts. This has prompted traders to consider spending more time in the pits, particularly to catch the fall-out from government reports.

Critics say the proposed earlier openings would not expand European participation in Chicago's grain markets significantly, and does not address the potential challenge from Tokyo. West coast grain merchants would also be inconvenienced by the hours. However, other traders say the change is inevitable, and that east coast and midwest grain merchants who already traded cash grain before the futures opened, would benefit from an earlier opening, as would the CBoT's European customers.

Turkey to resume wheat imports

By John Murray Brown in Istanbul

FOR THE first time since the drought of 1989, Turkey is to import wheat for the domestic market, a direct result of the more active exporting strategy pursued by the country's grain board in 1992.

The decision, announced last week, is not a cause for alarm. However it does underline the structural problems of the Turkish wheat market, where the state is subsidising farmers to produce lower value grains unsuited to the increasingly sophisticated tastes of the domestic consumer. In lifting the restrictions on imports for a 6-month period, Turkey is seeking to make up a domestic shortfall of hard wheats while continuing to export from its reserves to poorer neighbours in the Caucasus and Central Asia.

The move is also the result of a poorer harvest this year and a radical change in the way the government intervenes in the domestic market. Through changes in pricing policy, the Turkish Soils Products Office (TMO), halved the amount it bought from farmers in 1992, thus reducing the agency's burden on the central government budget.

On June 1, the first day of the harvest, the TMO announced an average support price for wheat of TL1,200 (9.5p) a kilogram. The official price was to be increased by TL50 a kilogram a month to account for inflation. The government promised to pay farmers in full on delivery rather than in installments as before.

In 1991-92 Turkish production is estimated to have been between 14.5m and 15m tonnes, down from 16m tonnes in 1990-91. Under the price support scheme, the TMO purchased 2.45m tonnes or 25 per cent of the 10.3m tonnes offered by farmers to the market, compared with 4.5m tonnes in 1991. The balance of the crop is made up of wheat retained as seed and animal feed, together with harvest losses.

Equally important, the private sector granaries have been forced to become more active in the cereals market. The move represents a rare example of a state agency withdrawing from a commercial activity better handled by private enterprise.

Moreover the change has been achieved without the government reneging on its election commitment to help the farming sector.

For the last few years in supporting the farmers the TMO has paid well above international prices. Worse still, in both 1989 and 1990 it financed these purchases on the local market using foreign commercial borrowings. While still higher than world prices, this year's support levels at 58 per cent up on 1991 dropped in dollar terms, given an inflation rate of 70 per cent.

The catch was that the TMO also announced it would sell back the wheat on the open market at 15 per cent above the support price. Merchants thus had an incentive to go directly to farmers at harvest time, incurring the warehousing costs but avoiding paying the TMO premium. "Today it's the private companies which have the stocks, not the TMO," says Mr Ergun Erzurumlu, the TMO deputy head and inventor of this new scheme.

Officials estimate the cost of the 1992 operation at about TL2,900bn, or TL3,800bn if all grains are included. Part of the finance was provided by direct support from the budget.

Two international tenders for a total of 1.5m tonnes raised a further $213m. Traders say TMO managed the sale well, realising high prices – $113 a tonne for the first tender in mid-May and $125 in mid-June.

The TMO now has a contract for 1.1m tonnes with Azerbaijan – 500,000 has already been shipped. Negotiations are continuing on a 2m tonne deal with Uzbekistan, with a similar size offer to Turkmenistan.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD held above $338 a troy ounce on the London bullion market as option-writers battled to defend positions. "A lot of $340 calls are written for the year's end. Therefore if we break above $340 a lot of people would be forced to cover their short positions on options," one dealer said. Players defending their positions were selling to keep the price down. Two big US commission houses might be forced to cover large short positions if the price rises. A break above $340 was seen, taking gold to $342 and possibly $344 to $345. On the LME trading in base metals was mostly routine as the market wound down in interest ahead of the holiday season. Three-month **COPPER** was effectively stalled below $2,230 a tonne; three-month **ALUMINIUM'S** attempt to test overhead resistance above $1,250 a tonne ran out of steam; and **ZINC** failed to follow through Wednesday's gains. In Chicago **WHEAT** was mostly lower by midday on commercial house selling after Russia missed another payment.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Jan)		+ or -
Dubai	$16.30-6.40u	+0.10
Brent Blend (dated)	$18.15-8.20u	+0.20
Brent Blend (Feb)	$18.40-8.45	+.175
W.T.I (1 pm est)	$19.65-9.70u	+.175
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$189-191	+1
Gas Oil ♦	$178-179	+1
Heavy Fuel Oil	$71-73	
Naphtha	$178-181	+1.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$338.35	+1.3
Silver (per troy oz)♣	378.50c	+5
Platinum (per troy oz)	$365.50	+1.75
Palladium (per troy oz)	$111.50	+1.65
Copper (US Producer)	103.5c	
Lead (US Producer)	34.625c	
Tin (Kuala Lumpur market)	14.28r	-0.4
Tin (New York)	283.5c	-2
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	N/A	*
Sheep (live weight)†♣	N/A	*
Pigs (live weight)†	N/A	*
London daily sugar (raw)	$210.6w	-0.4
London daily sugar (white)	246.1w	-0.2
Tate and Lyle export price	£241.0	-1
Barley (English feed)	134.75u	
Maize (US No. 3 yellow)	£156.0	
Wheat (US Dark Northern)	Unq	
Rubber (Jan)♥	62.75p	-0.25
Rubber (Feb)♥	63.00p	-0.25
Rubber (KL RSS No 1 Jan)	227.5m	
Coconut oil (Philippines)§	$447.5y	-2.5
Palm Oil (Malaysian)§	$387.5u	
Copra (Philippines)§	$280.0	
Soyabeans (US)	£168	-2.5
Cotton "A" Index	54.25c	-0.2
Wooltops (64s Super)	399p	-3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jan/Feb u-Feb x-Aug.w-Dec/Jan. z-Jan/Mar. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices. ♦ Gas Oil Price for 3/12/1992 174-175 down 2

SUGAR – London FOX			($ per tonne)	
Raw	**Close**	**Previous**	**High/Low**	
Mar	183.00	183.00	183.00	181.00
May	186.00	187.00	186.00	
White	**Close**	**Previous**	**High/Low**	
Mar	247.90	246.60	248.30	245.50
May	250.50	249.00	251.00	248.00
Aug	257.00	255.30	257.00	254.00
Mar	248.00	-	248.00	

Turnover Raw 37 (66) lots of 50 tonnes White 430 (582) Paris- White (FFr per tonne) Mar 1345.80 May 1374.95

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Feb	1845	18.30	1850	1815
Mar	1849	18.34	1851	1818
Apr	1841	18.35	1841	1821
May	1854	18.31	1854	1826
Jun	1835	18.39	1836	1831
Jul	1856	18.38	1856	1833
IPE Index	1806	17.91		

Turnover 18000 (34575)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Jan	172.75	172.25	174.75	172.00
Feb	173.25	173.50	175.75	173.00
Mar	172.25	172.50	174.50	172.25
Apr	170.25	169.50	171.25	170.25
May	169.00	168.75	170.50	169.00
Jun	169.75	167.50	169.75	168.50
Jul	170.25	-	171.00	170.25
Aug	172.00	-	173.00	172.25
Sep	174.25	-	174.50	174.00

Turnover 12375 (9484) lots of 100 tonnes

FRUIT AND VEGETABLES

Supplies of favourite Christmas fresh produce will be plentiful over the festive period reports the FFVIB. Avocados at 40-55p each (60-70p) and Honeydew melons at £1.30-1.60 each (£1.30-1.60) are traditional Christmas starters. Christmas vegetables are reasonably priced this week with Brussel sprouts at 15-25p a lb (15-25p), carrots at 15-20p a lb (15-20p), leeks at 40-50p lb (45-50p) and parsnips at 20-25p a lb (20-25p). Pecan nuts are £1.15-1.30 a lb and Monkey nuts are 60-70p a lb (75-95p). Walnuts, Brazils and Hazelnuts will cost around 68-85p a lb (£1.15-1.30)

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Dec	644	652	653	640
Mar	670	675	677	664
May	687	692	695	684
Jul	703	707	710	701
Sep	718	722	722	720
Dec	741	742	744	736
Mar	761	763	765	755
May	778	778	777	
Sep	806	778	802	

Turnover: 3802 (3255) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec.17 731.39 (735.50) 10 day average for Dec 16 750.16 (756.17)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Jan	1019	1003	1018	1003
Mar	1037	1027	1037	1025
May	1011	1004	1011	1003
Jul	1008	1000	1008	1000
Sep	1017	1008	1017	1011
Nov	1024	1020	1018	

Turnover:2955 (2265) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 16: Comp. daily 64.25 (64.13) 15 day average 62.21 (61.84)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	62.3	63.0	62.9	62.3
May	69.2	69.1	69.5	69.2

Turnover 27 (23) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Feb	150.00	152.00	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Jan	1298	1290	1305	1295
Feb	1275	1260	1275	
Apr	1270	1255	1270	1258
Jul	1138	-	1138	1137
Oct	1331	-	1331	1325
BFI	1370	1369		

Turnover 79 (86)

GRAINS – London FOX			£/tonne	
Wheat	**Close**	**Previous**	**High/Low**	
Jan	135.10	136.70	135.20	135.00
Mar	137.25	137.00	137.25	136.50
May	138.75	139.30	138.75	
Jun	140.25	-	140.25	
Sep	107.50	-	107.65	107.25
Jan	113.25	-	113.50	113.25
Barley	**Close**	**Previous**	**High/Low**	
Jan	131.00	131.50	131.00	
Mar	133.50	133.75	133.50	

Turnover: Wheat 103 (533), Barley 11 (45).
Turnover lots of 100 Tonnes.

PIGS	London FOX	(Cash Settlement) p/kg	
	Close	Previous	High/Low
Jun	100.0	100.5	100.0

Turnover: 15 (20) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 27,755 lots	
Cash	1219.5-20.5	1217-8		1218-8.5		
3 months	1243-3.5	1240-1	1247/1239	1242-2.5	1239-40	180,521 lots
Copper, Grade A (£ per tonne)					Total daily turnover 28,169 lots	
Cash	1392-3	1397-8	1384/1384	1383.5-4.5		
3 months	1419-20	1424-5	1422.5/1411	1411-1.5	1422-3	140,600 lots
Lead (£ per tonne)					Total daily turnover 6,559 lots	
Cash	287.5-8.5	286.5-7.5	286.25/286.25	286-6.25		
3 months	298-8.5	297-7.25	298.5/295	296.5-7.0	298-8.5	23,449 lots
Nickel ($ per tonne)					Total daily turnover 5,608 lots	
Cash	5750-60	5740-50		5750-1		
3 months	5826-30	5815-20	5835/5810	5828-30	5830-5	40,778 lots
Tin ($ per tonne)					Total daily turnover 2,703 lots	
Cash	5665-75	5700-10	5685/5685	5685-90		
3 months	5735-40	5770-75	5755/5740	5750-5	5760-80	9,458 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 9,004 lots	
Cash	1055-6	1059-60		1051-1.5		
3 months	1074-5	1077.5-8.5	1076/1070	1070-1	1072-3	72,840 lots

LME Closing £/$ rate:
SPOT: 1.5734 | 3 months: 1.5598 | 6 months: 1.5480 | 9 months: 1.5398

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	338.20-338.50	
Opening	337.40-337.7	
Morning fix	337.75	213.768
Afternoon fix	338.65	213.970
Day's high	338.90-339.20	
Day's low	337.50-337.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	1.65	6 months	2.10
2 months	1.64	12 months	2.48
3 months	1.64		

Silver fix	p/troy oz	US cts equiv
Spot	239.50	378.50
3 months	240.30	378.10
6 months	244.10	381.25
12 months	251.40	389.05

GOLD COINS	$ price	£ equivalent
Krugerrand	338.5-341.50	213.00-215.00
Maple leaf	348.10-350.35	-
New Sovereign	79.00-81.00	50.00-52.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Apr	Jan	Apr
1175	56	75	3	6
1200	34	56	4	12
1200	17	40	12	21
Copper (Grade A)	**Calls**		**Puts**	
2100	111	130	3	7
2150	64	90	3	16
2200	27	57	17	33
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
950	101	95	15	35
1000	67	67	31	57
1050	41	48	55	88
Cocoa	**Mar**	**May**	**Mar**	**May**
650	39	56	19	21
575	26	44	31	32
700	17	34	47	47

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Dec	338.4	337.9	339.2	338.3
Jan	338.8	338.3	0	0
Feb	339.2	338.7	340.1	338.7
Apr	340.3	339.8	341.1	339.9
Jun	341.8	341.3	342.6	341.7
Aug	343.4	342.9	0	0
Oct	345.1	344.6	345.8	339.2
Dec	346.9	346.4	347.5	346.7
Feb	349.0	348.5	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jan	365.8	366.5	369.0	365.5
Apr	363.7	364.2	366.5	363.5
Jul	362.7	363.2	364.5	363.0
Oct	363.9	364.4	365.9	365.9

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Dec	377.3	373.0	378.5	375.0
Jan	377.6	373.3	378.0	378.0
Feb	379.4	375.1	0	0
Mar	380.3	376.0	382.5	376.5
May	383.0	378.7	384.5	381.0
Jul	385.6	381.3	387.0	382.0
Sep	388.4	384.1	0	0
Dec	392.8	388.5	393.5	392.0
Jan	394.0	389.7	0	0
Mar	397.9	393.6	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	98.55	98.60	98.90	98.45
Jan	98.85	98.85	99.00	98.70
Feb	99.20	99.25	0	0
Mar	99.55	99.65	100.00	99.25
Apr	99.90	100.00	0	0
May	100.20	100.35	100.60	100.10
Jun	100.50	100.65	0	0
Jul	100.80	100.95	100.80	100.60
Aug	101.10	101.25	0	0
Sep	101.45	101.55	101.70	101.70

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jan	19.45	19.41	19.50	19.28
Feb	19.63	19.57	19.70	19.40
Mar	19.72	19.63	19.77	19.61
Apr	19.76	19.68	19.82	19.60
May	19.82	19.71	19.82	19.62
Jun	19.81	19.73	19.80	19.69
Jul	19.85	19.76	19.86	19.67
Aug	19.77	[illegible]	[illegible]	19.72
Sep	19.78	19.74	[illegible]	[illegible]
Oct	19.76	19.73	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Jan	55.50	55.50	55.60	54.75
Feb	56.45	56.46	56.55	55.70
Mar	56.60	56.62	56.65	55.95
Apr	55.95	55.77	56.00	55.50
May	55.05	54.77	55.05	54.50
Jun	54.65	54.42	54.50	54.20
Jul	54.70	54.72	54.70	54.40
Aug	54.70	55.27	55.30	55.00
Sep	56.50	56.47	56.50	56.20
Oct	57.45	57.42	56.90	56.90

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	945	944	949	934
May	973	971	976	962
Jul	995	996	1000	992
Sep	1016	1018	1023	1023
Dec	1051	1054	1052	1052
Mar	1086	1089	1086	1080
May	1108	1111	0	0
Jul	1141	1144	0	0
Sep	1165	1168	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	78.60	78.90	78.90	78.25
Mar	78.75	78.70	79.10	78.20
May	81.90	82.05	82.40	81.60
Jul	83.40	83.30	83.70	83.00
Sep	84.80	85.00	85.15	84.80
Dec	86.45	86.65	0	0
Mar	88.25	88.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.32	8.19	8.38	8.20
May	8.45	8.36	8.52	8.35
Jul	8.55	8.46	8.62	8.48
Oct	8.58	8.49	8.63	8.50
Mar	8.70	8.60	8.75	8.70
May	8.83	8.73	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	57.26	57.48	57.60	56.80
May	58.48	58.67	58.75	58.05
Jul	59.51	59.68	59.65	59.10
Oct	59.22	59.30	59.60	59.02
Dec	58.95	59.10	59.00	58.50
Mar	59.61	59.82	59.80	59.50
May	60.15	60.25	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	93.70	92.25	94.25	92.75
Mar	97.20	95.70	97.60	96.10
May	98.75	97.50	99.00	98.00
Jul	99.50	97.75	99.50	99.00
Sep	98.50	97.50	0	0
Nov	98.80	97.55	0	0
Jan	98.80	97.95	0	0
Mar	98.00	98.00	0	0
May	99.00	98.50	100.00	100.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 17	Dec 16	month ago	year ago
1657.1	[illegible]	[illegible]	[illegible]

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec 16	Dec 15	month ago	year ago
Spot	121.81	[illegible]	[illegible]	[illegible]
Futures	121.86	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jan	569/2	569/6	574/0	568/6
Mar	573/0	573/6	577/4	572/4
May	577/6	578/6	582/4	577/4
Jul	584/0	584/6	588/2	583/2
Aug	586/0	587/0	590/0	586/0
Sep	585/0	585/4	588/0	585/0
Nov	589/0	590/2	593/4	588/4
Jan	597/0	597/6	600/4	597/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Dec	20.46	20.62	20.70	20.46
Jan	20.57	20.71	20.80	20.55
Mar	20.76	20.86	21.01	20.75
May	20.91	21.00	21.15	20.91
Jul	21.05	21.14	21.27	21.03
Aug	21.04	21.13	21.32	21.04
Sep	21.05	21.13	21.35	21.05
Oct	21.05	21.11	21.28	21.05
Dec	21.10	21.17	21.30	21.10

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Dec	190.4	188.2	190.5	188.2
Jan	186.8	185.6	187.4	185.5
Mar	185.0	184.0	185.6	184.0
May	184.2	183.7	185.0	183.7
Jul	185.2	184.8	186.1	184.8
Aug	185.7	185.5	186.5	185.7
Sep	186.6	186.4	187.4	186.6
Oct	187.8	188.0	188.3	187.6
Dec	189.5	189.0	190.0	189.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	212/4	212/6	213/6	212/0
Mar	220/4	221/6	222/0	220/2
May	227/4	229/2	229/2	227/2
Jul	232/6	234/2	234/6	232/4
Sep	236/0	238/2	236/4	236/0
Dec	240/2	242/4	242/6	240/0
Mar	247/2	249/4	249/0	247/2

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	364/4	369/0	368/0	364/0
Mar	352/6	359/2	358/2	352/2
May	339/0	343/0	343/4	338/4
Jul	316/4	318/2	319/4	316/0
Sep	321/6	323/0	324/6	321/6
Dec	332/6	334/0	335/0	332/2

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	78.775	79.175	79.175	78.675
Feb	76.075	75.950	76.175	75.700
Apr	75.800	75.625	75.850	75.450
Jun	72.400	72.250	72.450	72.075
Aug	70.750	70.775	70.800	70.525
Oct	71.300	71.225	71.375	71.075
Dec	71.550	71.450	71.600	71.450

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Dec	43.600	44.425	44.150	43.500
Feb	43.325	43.775	43.775	43.225
Apr	42.050	42.225	42.350	41.850
Jun	46.300	46.425	46.625	46.150
Jul	45.850	46.000	46.100	45.800
Aug	44.600	44.675	44.750	44.450
Oct	40.975	41.000	41.050	40.900
Dec	42.625	42.550	42.800	42.400

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	38.300	38.675	38.650	37.900
Mar	38.400	38.825	38.600	37.900
[illegible]	39.600	40.000	39.975	39.300
[illegible]	40.125	40.550	40.350	39.750
[illegible]	38.300	38.650	0	38.300

LONDON STOCK EXCHANGE

FT-SE Mid Index in the limelight

By Terry Byland, UK Stock Market Editor

PRIVATE investors seized the initiative in the London stock market yesterday, leaving the big institutions to continue their cautious shuffling of portfolios ahead of this morning's expiry of the December stock index future.

Active trading in the second line issues brought a gain of around 1 per cent in the FT-SE Mid 250 Index, while the FT-SE 100 Index (the Footsie) had to be content with a rise of barely 0.3 per cent on the day.

The FT-SE Mid 250 closed 30 points stronger, but the FT-SE 100, after an erratic session, ended only 7.5 higher at 2,740.3. Trading volume increased sharply, with business in the second line stocks well outpacing that in the FT-SE 100 listed issues.

Once again, the influence of the stock index future was clearly displayed in the stock market by a sharp upswing when the futures opened. But the stock market was impervious to the day's list of statistics on the domestic economy.

A rise in November unemployment to an annual rate of 10.3 per cent, with the total at a 5¾-year high, changed little in market perceptions, nor did the 5.5 per cent annualised gain in average earnings in October.

Tax-related deals played a significant role in the blue chip stocks. After slipping by 7.4 on the Footsie in early trading, the market about-turned abruptly to record a net advance of more than 15 points at midsession.

But the Footsie 2,750 level proved more than the market could manage and share prices in the market leaders then turned back to reduce the final rise on the FT-SE Index to 7.5 on the day. With several trading houses still predicting a Footsie 2,700 close for the year, securities dealers were cautious of being drawn into the market.

Seaq-reported volume jumped to 825m shares from the 676.3m of the previous day, but on Wednesday retail, or customer, business was worth £1.25bn, indicating the weight of overnight tax-related business in blue chip stocks by institutions seeking to establish tax positions ahead of the calendar year-end.

Views of the outlook for the UK stock market among the UK securities houses continued to range between those who warn that pre-Christmas trading sessions, when most of the institutions are no longer at full throttle, can be a misleading guide to underlying sentiment, and the optimists who have already pinned their faith in a further advance in the stock market next year.

At the annual seminar held by Kleinwort Benson Securities yesterday, investors were told that the UK merchant bank is holding its forecast for the 1993 year-end to Footsie 3,000. While seeing the UK stock market as offering the best risk/reward prospect of leading global markets, Kleinwort has doubts over the likely pace of the recovery in UK corporate earnings next year, the uncertain outlook for domestic inflation, and finally over "where the money is going to come from" for an advance in share prices.

Among the brighter sectors yesterday, brewing shares stood out strongly as Guinness continued its recovery from the doubts over international earnings posed recently by UK brokers. GEC, traditionally seen as a defensive stock because of its cautious cash policies, came in for renewed investment support.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	2	466	-7
ASDA Group	14,000	60½	-1
Abbey National	2,000	368	+8
Albert Fisher	11,000	59	+3
Allied-Lyons	2,800	636	+19
Amstrad	3,600	24½	
Anglian Water	1,300	488	+3
Argos	411	281	+4
Argyll Group	1,800	395	+6
Arjo Wiggins	6,400	148	+9
Ass. Brit. Foods	173	467	-1
Ass. Brit. Ports	252	345	+4
BAA	1,900	788	-1
BAT Inds.	2,000	873	
BET	18,000	86	+3
BICC	2,300	314	-2
BOC	1,500	766	+4
BP	8,700	225	
BPB Inds.	331	193	-1
BT	7,000	365½	+5½
BT New	3,500	286	+8
BTR	5,200	582	+3
Bank of Scotland	2,000	125	+1
Barclays	19,000	379	-8
Bass	3,600	622	+10
Berisford Int.	641	20	+½
Blue Circle	6,200	186	+8
Booker	1,000	367	+11
Boots	2,000	512	-2
Bowater	500	482	+2
Brit. Aerospace	7,200	153	+6
British Airways	4,700	281	+3
British Gas	14,000	273	+3
British Land	84	775	+1
British Steel	12,000	55½	-½
Bunzl	1,200	118	+1
Burmah Castrol	598	703	+11
Burton	3,700	68	+1
Cable & Wire.	1,800	696	+3
Cadbury Schweppes	1,800	444	+3
Calor Group	28	217	+1
Carlton Comms.	1,000	718	-2
Coats Viyella	4,100	210	+1
Comm. Union	1,300	566	+15
Cookson	1,700	167	+3
Courtaulds	1,200	504	+2
Dalgety	530	468	+3
De La Rue	834	671	+3
Dixons	1,700	267	+8
Eastern Elect.	1,300	388	
East Midland Elect.	1,500	409	-2
Eng China Clays	1,000	419	+9
Enterprise Oil	2,400	440	+4
Eurotunnel Units	218	324	
FKI	2,000	105	+3
Fisons	3,300	222	+3
Forte	2,700	170	+1
Gen. Accident	984	580	+5
General Elect.	4,400	275	+6
Glaxo	8,000	768	-27
Glynwed Int.	1,000	237	+4
Granada	2,100	333	+2
Grand Met.	3,000	453	+10
GUS A	421	1665	+12
GRE	1,300	170	-1
GKN	2,800	433	-5
Guinness	3,800	491	+11
HSBC (75p shs)	8,400	466	-9½
Hammerson 'A'	540	273	+8
Hanson	6,600	221½	+½
Hanson Warrants	434	17½	+¼
Harrisons Crosfield	613	158	+2½
Hillsdown	4,000	130	
IMI	681	245	+4
ICI	3,400	1009	-24
Inchcape	2,300	520	+7
Kingfisher	2,000	565	+11
Kwik Save	1,200	701	+8
Ladbroke	2,200	178	+3
Land Securities	1,000	436	+6
Laporte	578	631	+10
Legal & General	1,400	421	-1
Lloyds Abbey	959	383	+8
Lloyds Bank	2,800	496	-1
LASMO	3,900	137	
London Elect.	1,800	411	
Lonrho	1,100	88½	-1½
Lucas	6,400	127	+2
MB Caradon	3,300	281	+16
MEPC	1,500	315	+15
Manweb	176	468	+4
Marks & Spencer	5,300	312	+½
Midlands Elect.	116	447	
NFC	1,100	279	+7
NatWest Bank	6,800	399	+1
National Power	3,000	264	-6
Next	4,200	141½	+3½
[illegible]	[illegible]	[illegible]	[illegible]
Reckitt & Colman	450	603	+1
Redland	2,300	354	+10
Reed Intl.	3,000	636	+4
Rentokil	780	188	
Reuters	561	1357	+11
Rolls Royce	4,800	114	+4½
Rothmans	367	830	+1
Ryl Bk Scotland	6,200	199	+2
Royal Insurance	4,000	283	+5
Saatchi	47	151	
Sainsbury	1,900	595	
Scottish & New.	948	455	+11
Scot. Hydro-Elect.	819	246	+1
Scottish Power	2,200	229	+½
Sears	11,000	98½	+2½
Sedgwick	3,200	169	+8
Seeboard	190	443	+3
Severn Trent Water	951	457	-1
Shell Transport	4,600	544	-1
Siebe	1,200	401	-10
Slough Ests	91	146	+4
Smith (W.H.) A	1,200	504	+8
Smith & Nephew	2,100	164	-½
SmKl Beecham	2,200	492	-12
SmKl Beecham Uts.	2,300	430	-16
Smiths Inds.	660	357	+5
Southern Elect.	817	425	+2
South Wales Elect.	971	473	-4
South West Water	26	496	+1
[illegible]	[illegible]	[illegible]	[illegible]
Tomkins	6,900	244	+6
Trafalgar House	1,200	77	+½
Unigate	2,000	279	-3
Unilever	983	1075	+5
United Biscuits	2,850	357	+6
Utd. Newspapers	1,000	526	+3
Vodafone	3,100	413	+2
Warburg (SG)	128	508	+9
Wellcome	3,440	1011	-17
Welsh Water	1,000	529	+2
Wessex Water	398	584	+7
Whitbread 'A'	1,000	467	+12
Williams Hldgs.	2,000	327	+8
Willis Corroon	1,600	192	+5
Wimpey	2,500	110	+8
Wolseley	718	626	+9
Yorkshire Elect.	427	473	+5
Yorkshire Water	169	538	+5

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

First Dealings:	Option Declarations:	Last Dealings:	Account Day:
Nov 30	Dec 10	Dec 11	Dec 21
Dec 14	Dec 30	Dec 31	Jan 11
Jan 4	Jan 14	Jan 15	Jan 25

*New time dealings may take place from 8.30am two business days earlier.

Barclays hit by provision

DISCLOSURE of the size of provisions that Barclays Bank will have to make against loans to Imry Holdings, the property development group, surprised the stock market. It reopened a long-running debate over the threat to the bank's final dividend when it reports 1992 results at the end of February. Barclays shares ended the day a net 8 lower at 379p with turnover increased to 19m.

The Imry provisions could well leave Barclays with a net loss for the year, according to sector analysts. Before the Imry disclosures, analysts' estimates of Barclays earnings for 1992 ranged from profits above £200m to losses of up to £165m.

Concerns about Barclays' exposure to losses in property have dogged the shares throughout this year. But they have rallied strongly since mid-October as some analysts have highlighted the strength of the bank's capital ratios.

The shares were additionally unsettled yesterday when Moody's, the US credit rating agency, downgraded ratings for Barclays senior debt and cut ratings of some subsidiaries.

HSBC weak

The latest tumble in the Hong Kong stock market, after China's foreign minister apparently ruled out concessions in the dispute over the colony, triggered renewed weakness in both classes of HSBC shares in London.

The UK-registered HSBC stock fell to 468p before stabilising to close 9½ down at 466p on turnover of 9.4m, while the Hong Kong-registered stock ended 10 off at 453p on 5.2m traded.

A County NatWest "sell" recommendation emphasised weakness in the shares. Mr John Aitken, at County, described the shares as "fundamentally overvalued and 15 per cent too high". He pointed out that HSBC's inclusion in both London's Footsie 100 index and Hong Kong's Hang Seng Index had left index tracking funds underweight in the sector.

Glaxo hurt

Pharmaceuticals company Glaxo recorded the biggest percentage fall in the Footsie list after agency broker James Capel opened the way for investors to switch from defensive to cyclical stocks.

Capel reduced its rating for the group's new drugs, particularly Serevent, its anti-asthma product and Imigran, the migraine treatment. It cut predictions for Imigran, arguing that the drug would generate sales of only between £30m and £35m in the first half of the year. However, Capel was formerly at the optimistic end of the range of forecasts. Hoare Govett for example was predicting only £38m sales for Imigran in the first half.

There were further doubts over the security of the US patent on Zantac, the anti-ulcer drug which accounts for more than 40 per cent of Glaxo's sales, although analysts seemed reassured after speaking to the company. Investors also remain concerned about the announcement from Astra, Glaxo's Swedish rival, on trials of its ulcer drug Losec. Glaxo shares fell 27 to 768p making a slide of 44 since the end of last week.

ICI fell 24 to 1009p as securities house UBS Phillips & Drew voiced caution over the potential in the bulk chemicals sector, particularly in PVC and polypropylene markets. UBS, which at £580m in 1992 and £700m next year is at the high end of predictions for the group, is reconsidering its forecasts.

Energy sector specialists registered surprise at the impact of the announcement from Sir James MacKinnon, Ofgas chairman, that British Gas should be broken up.

Nevertheless, Gas shares made progress closing 3 higher at 272p on good turnover of 14m. Mr John Toalster, at Strauss Turnbull, saw little downside for Gas shares whatever the outcome. "If the break-up happened it would be hard to interpret it as bad news for shareholders."

An encouraging report on the housing market by the Royal Institute of Chartered Surveyors triggered buying interest in construction stocks. Bellway jumped 10 to 278p, Wilson Bowden 9 to 343p and Wimpey 8 to 110p.

Building materials groups also progressed, with takeover stories and reports of broker buy notes driving Blue Circle up 8 more to 186p and Tarmac 7 higher to 113p.

Reckitt & Colman failed to show strength as the company warned analysts that, in spite of encouraging economic news from the US, prospects remained gloomy. The shares were steady at 603p.

US selling prompted SmithKline Beecham to fall 16 to 430p in the Units and 12 to 492p in the 'A's. Wellcome was also weak, closing 17 lower at 1011p and suggesting a possible move out of defensive stocks.

A buoyant brewery sector attracted attention. Allied Lyons jumped 19 to 636p. Bass gained 10 to 622p, so too did Grand Metropolitan at 453p. Guinness jumped 11 to 491p.

Cautious hints from the government that a national lottery's impact on traditional forms of betting would be limited helped Ladbroke, up 3 at 178p. Further negative remarks from Paribas on Euro Disney weakened sentiment, the shares closing off 10 at 718p.

Profit-taking was seen in Tate & Lyle. The shares had been boosted after the company said that it had regained its sweetener contract with PepsiCo. The shares retreated 4 to 395p.

A stock shortage in Booker sent the shares forward, closing 11 ahead at 367p. Unilever's good run continued after a recent round of presentations, the shares gaining 5 to 1075p. Meetings hosted by Argyll also brought a good response, the shares lifting 6 to 395p.

Sparkling results from Shoprite Group spurred the shares on to 573p, a rise of 45p. The boardroom moves and trading statement at Amber Day again boosted the shares, up 6 at 40p. Seven-day trading at W H Smith was said to be producing optimistic soundings from the company and the 'A' shares gained 8 to 504p.

The gas watchdog's call for British Gas to be split up raised the spectre of further regulatory moves in the utilities areas, particularly the power generators sector. But, damage in the latter was relatively limited, National Power slipping 6 to 264p and PowerGen losing 5 at 265p. Both stocks were additionally unsettled by switching into British Gas, a move recommended by Carr Kitcat and Aitken.

Water issues opened marginally easier but then rose quickly to end the session with good gains across the board. Anglian was the best performer of the four Footsie water stocks, adding 3 at 488p. The best individual showing in the sector came from Wessex Water, up 7 at 584p.

Regional electricity stocks were generally firmer, with Yorkshire 5 higher at 473p after the near 15 per cent dividend increase.

In aerospace, British Aerospace continued to find takers after the announcement of orders for Airbus aircraft earlier in the week. The shares added another 6 to 153p with turnover once again heavy at 7.2m shares.

Profit-taking after the recent run left Siebe 10 lighter at 401p in trade of 1.2m. Rolls-Royce gained 4½ to 114p after the announcement of an engine order from the Italian air force.

Shares in conglomerate MB-Caradon moved 16 ahead to 281p, with the stock said to have been boosted by a James Capel recommendation moving it to a "strong hold."

Tiphook was greatly in demand and the shares jumped 26 to 340p.

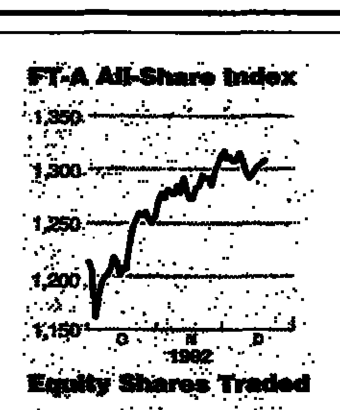
A line of stock said to total about 1m shares was reported in airports group BAA. The shares closed a penny easier at 788p. A squeeze helped P&O jump 13 to 490p.

Associated British Ports was a "good market" according to one trader. The shares firmed 4 to 345p. British Airways closed 3 up at 281p, on the news that it was to acquire a 25 per cent share of Quantas, the Australian airline. Turnover reached 4.7m.

MARKET REPORTERS: Peter John, Joel Kibazo, Christopher Price, Steve Thompson.

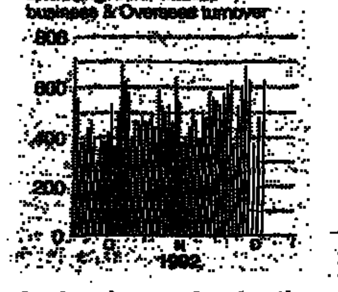
■ Other market statistics, Page 21

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (119). AMERICANS (1) Amer. Express, BANKS (2) Bank Scotland, Sumitomo, BUILDING MATERIALS (2) Rugby, Wolseley, BUSINESS SERVICES (1) Serco, CONGLOMERATES (1) Wassall, CONTRACTING & CONSTRUCTION (1) Barratt Dev., ELECTRICALS (2) Jones Stroud, Manvier-Swain, ELECTRONICS (18) Cray, Diploma, Electrocomps., Eurotherm, GEC, ISA Intl., Laidon, Linx Printing, Macro 4, Misys, ENGINEERING AEROSPACE (1) Smiths Inds., ENGINEERING GENERAL (6) FKI, Fairey, Halma, Siebe, VSEL, Cranton., FOOD MANUFACTURING (4) Acatos & Hutcheson, Nestle (Br), Do (Reg), RHM, FOOD RETAILING (3) Kwik Save, Morrison (Wm), Do 5¼pc Pf., HEALTH & HOUSEHOLD (3) AAH, Quality Care Homes, UniChem, HOTELS & LEISURE (2) Manchester Utd., Vardon, INSURANCE COMPOSITE (1) Royal, INSURANCE LIFE (4) Britannic, Refuge, Transatlantic, Utd. Friendly, INVESTMENT TRUSTS (19) Anglo & O'seas, Drayton Blue Chip Zero Pf., Fmg. Emrg. Mkts., For. & Col. High Inc., Gowett Amer. Smllr. Co's. Group Dev. Cap., M & G Inc. Zero Pf., Mezzanine Cap., Murray Enterprise, Murray Split Cap. Zero Pf., Pantheon Intl. Wts., Personal Assets, Primadona, Scot. Natl. Zero Pf., Scot. Value, Select Assets Uns. Ln. '13, Do Series II, Sphere Zero Pf., TR Tech. Stppd. Pf., MEDIA (12) Central ITV, Daily Mail, EMAP, Flextech, Headline, Independent, Reed, TVS Entr., Taylor Nelson, Telegraph, Utd. News., Walmoughs, METAL & METAL FORMING (1) Johnson Matthey, MISCELLANEOUS (4) Airsprung Furn., Chemring, Danka, Norbain, MOTORS (2) First Tech., Trinity, OIL & GAS (1) Burmah, OTHER FINANCIAL (4) Caledonia, Cattle's, Prov. Financial, S & U, OTHER INDUSTRIAL MATERIALS (8) BTR, Do Wts. '92-93, Do '94-95, Do '96-98, Charter Cons., Cookson, McKechnie, Renishaw, PACKAGING, PAPER & PRINTING (3) Bowater, Do 7¾pc Pf., Dorling Kindersley, Ferguson, St. Ives, PROPERTY (1) Slough 6pc Cv. '03, STORES (4) Asprey, Country Casuals, Next, Smith (WH), TELEPHONE NETWORKS (1) Cable & Wireless, TEXTILES (3) Claremont Grmts, Courtaulds, Dewhirst, TRANSPORT (2) Dawsongroup, Norex, WATER (2) Cheam, Northumbrian.

NEW LOWS (11). [illegible]

FINANCIAL TIMES EQUITY INDICES

	Dec 17	Dec 16	Dec 15	Dec 14	Dec 11	Year ago	High	Low
Ordinary share	2092.5	2081.8	2067.3	2067.2	2062.8	1814.7	2149.7	1870.0
Ord. div. yield	4.44	4.46	4.49	4.49	4.48	5.05	5.34	4.24
Earning yld % full	6.09	6.10	6.17	6.17	6.16	7.60	-	-
P/E ratio net	20.98	20.92	20.74	20.74	20.78	16.53	21.21	15.79
P/E ratio nil	19.38	19.32	19.10	19.10	19.13	15.65	-	-
Gold Mines	65.4	64.0	64.7	65.6	65.7	146.3	160.6	63.0

*for 1992 Ordinary share index since compilation: high 2149.7 22/5/92 - low 49.4 26/6/40. Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71. Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2077.6	2085.8	2085.2	2082.5	2083.3	2081.9	2082.5	2091.8	2092.9	2093.8	2077.5

	Dec 17	Dec 16	Dec 15	Dec 14	Dec 11	Year ago
SEAQ Bargains	25,334	23,718	22,003	24,244	25,526	24,557
Equity Turnover(£m)†	-	1247.8	1148.1	946.8	1408.4	1671.5
Equity Bargains†	-	28,913	25,809	28,202	33,982	23,583
Shares traded (mil)†	-	625.3	489.7	397.0	621.8	808.8

† Excluding intra-market business and overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FUTURES AND OPTIONS TRADING

A SHORTAGE of stock coupled with continued rolling forward of positions from the December contract into March ahead of this morning's expiry boosted turnover in stock index futures, writes Joel Kibazo.

The December contract on the FT-SE started its last full session of trading at 2,733 and, but for a brief retreat two hours later, moved ahead throughout the day.

Several dealers were said to have been caught short of December, although others concentrated on moving into the March contract, which accounted for the high turnover in that series. The day's high of 2,760 was reached just before the opening of Wall Street, and although a bout of profit-taking caused a retreat in December, the firmness in New York was said to have prevented a greater decline.

Worse than expected UK unemployment figures had little effect on trading and the December contract was at a premium to cash consistently throughout the session. December finished at 2,747, up 7 from its previous close and at a five-point premium to the underlying cash market. Turnover in the December future was almost 9,000 contracts, while the volume in the March series reached about 7,000 lots.

The traded options saw heavy turnover of 38,138 lots. The FT-SE 100 option had 12,481 contracts dealt and the Euro FT-SE 3,384 lots.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2740.3 +7.5	2728.8 +30.0	1309.31 +5.97

	Dec 17	Dec 16	Dec 15	Dec 14	Dec 11	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2740.3	2732.8	2717.9	2721.8	2716.2	2391.6	2792.0	2281.0	2792.0 1/12/92	986.9 23/7/84
FT-SE Mid 250	2728.8	2698.8	2680.4	2667.9	2662.0	2319.2	2825.8	2157.8	2825.8 20/5/92	1379.4 21/1/88
FT-SE-A 350	1334.0	1328.1	1320.5	1320.8	1318.0	1157.9	1345.5	1103.1	1345.5 1/12/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2725.4	2736.7	2732.4	2733.3	2741.5	2746.5	2747.6	2743.2	2742.3	2748.0	2725.4
FT-SE Mid 250	2697.4	2705.5	2705.8	2709.1	2718.9	2722.2	2724.8	2726.8	2728.6	2728.9	2697.2
FT-SE-A 350	1325.1	1330.3	1328.7	1329.4	1333.5	1335.8	1336.5	1335.0	1334.8	1336.7	1325.1

Gross dividend yield (ACT at 25%) FT-SE 100:4.46%

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday December 17 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Dec 16 Index No.	Tue Dec 15 Index No.	Mon Dec 14 Index No.	Year ago (approx) Index No
1 CAPITAL GOODS (175)	829.88	+1.5	6.77	5.16	19.26	31.00	817.54	803.97	802.85	721.53
2 Building Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Engineering-Aerospace (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Engineering-General (43)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrials (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (191)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Hotels and Leisure (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 Media (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging, Paper & Printing (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (116)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Business Services (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Transport (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Electricity (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Telephone Networks (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Water (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (482)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (82)	845.11	+0.3	-	5.19	-	33.33	842.76	838.51	836.40	696.78
62 Banks (9)	1147.79	-0.6	5.36	4.86	27.97	41.81	1154.73	1149.03	1146.87	822.27
65 Insurance (Life) (6)	1726.11	+0.6	-	5.27	-	68.18	1716.51	1694.20	1694.98	1376.80
66 Insurance (Composite) (7)	618.04	+1.3	-	4.88	-	22.58	609.85	606.49	607.13	483.91
67 Insurance (Brokers) (10)	759.11	+3.5	8.17	7.04	16.45	48.05	733.60	738.00	727.79	978.78
68 Merchant Banks (6)	467.09	+0.7	-	4.89	-	16.75	463.97	464.31	463.62	448.10
69 Property (30)	620.69	+2.2	8.75	6.80	14.97	33.09	607.33	608.81	602.03	797.31
70 Other Financial (14)	281.28	+0.9	7.12	5.96	18.48	11.63	278.90	275.67	274.01	229.99
71 Investment Trusts (69)	1275.47	+0.6	-	3.40	-	32.11	1267.74	1266.66	1264.48	1120.53
99 ALL-SHARE INDEX (651)	1309.31	+0.5	-	4.51	-	43.73	1303.34	1295.90	1295.88	1146.78

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	1301.5	1310.5	1311.7	1314.7	1325.1	1330.8	1333.5	1334.1	1341.1	1341.1	1302.1	+39.0
Health&H	1285.5	1288.8	1281.7	1280.9	1281.3	1282.1	1281.7	1276.1	1270.7	1267.1	1297.2	-30.1
Water	1341.4	1344.5	1343.6	1343.9	1348.2	1348.3	1350.1	1347.4	1346.1	1346.2	1342.2	+4.0
Banks	1396.3	1401.8	1398.7	1399.1	1408.5	1408.3	1409.9	1397.3	1395.0	1394.9	1403.4	-8.5

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Treas 8¼pc 1993	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10pc 1993‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12½pc 1993‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Funding 6pc 1993‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 13¾pc 1993‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8¼pc 1994	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14½pc 1994‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 13½pc 1994	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas. 10pc Ln. 1994‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 12½pc 1994	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 9pc 1994‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12pc 1995	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 3pc Gas 90-95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10¼pc 1995	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 12¾pc 1995‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14pc 1996	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9pc 1992-96‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15¼pc 1996‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 13¼pc 1996‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Conversion 10pc 1996	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 13¼pc 1997‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 10½pc 1997	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8¾pc 1997‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8¾pc '97 ‡‡(£50 pd)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years						
Exch 15pc 1997	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9¾pc 1998	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 7¼pc 1998 (£25 pd)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 6¾pc 1995-98‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15½pc '98‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 12pc 1998	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 9½pc 1999‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 12¼pc 1999	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 10½pc 1999	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Conversion 10¼pc 1999	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9pc 2000‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 13pc 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10pc 2001	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

Index-Linked

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

NOTICE OF ADJOURNED MEETING OF THE SHAREHOLDERS OF THE PAKISTAN FUND

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of The Pakistan Fund [illegible]

1. To receive and consider the Financial Statements of the Company and the reports of the Directors and the Auditors for the period ended 30th June 1992.
2. To resolve that no final dividend be declared.
3. To re-elect Messrs Astor and Hsieh as Directors.
4. To appoint Auditors for the coming year and to authorise the Directors to fix their remuneration.
5. To transact any other business which may be properly transacted at an annual general meeting.

By Order of the Board, Pierson, Heldring & Pierson (Cayman) Limited, Secretary

Date: 18th December 1992

[illegible]

CORRECTION

REPEAT CALL TO TENDER FOR THE HIGHEST BID FOR THE PURCHASE OF "E.G.L. PAPER MANUFACTURING OF WESTERN GREECE S.A."

In the announcement concerning the above which appeared in the issues of 28th and 30th November 1992, the following paragraph was omitted from the published text between paragraphs 4 and 6:

"5. Envelopes containing the binding offers shall be unsealed by the above-mentioned Notary Public, in her office, on the 22nd December 1992 at 13.00 p.m. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting to the unsealing of the binding offers."

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992 High	1992 low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	18½xd	-⅛	21	14⅝	16,066	1.9
Allegheny & W.	♥	420p	—	494p	226p	225.4	4.4
Amdahl		441p	-10	1180p	438p	495.3	1.4
Amer Cyanamid		35⅞	-1⅛	38½	25⅝	3,180	2.9
Amer Express		15⅝xd	+⅛	15⅞	10⅞	7,588	4.0
Amer T & T		30⅝xd	+⅛	31½	20⅞	40,728	2.7
Ameritech		44⅞	—	45⅞	32½	10,429	5.2
BankAmerica		29⅝xd	-	30⅝	18⅞	10,075	2.8
Bankers NY		41⅞xd	-½	44	28⅝	3,360	4.2
Bell Atlantic		31⅞	+⅛	31⅞	23⅛	13,781	6.1
BellSouth		32⅛	+⅛	34⅛	25	15,998	5.4
Bethlehem Steel	♥	9½xd	—	10⅞	5⅞	659.4	-
Bowater		1570pxd	-22	1637p	905p	671.1	4.6
CPC	h	29⅛xd	-⅛	33	22⅞	4,456	2.6
Cadiz Land Inc	♥	118p	—	342p	108p	-	-
California Engy		1050p	—	1080p	581p	191.2	-
Chase Manhattan		17⅞xd	+⅛	18⅞	9⅛	2,985	4.4
Chrysler		20⅝xd	+⅛	21⅞	6⅞	5,948	1.9
Citicorp		12⅛xd	+⅛	12⅞	6⅞	4,387	-
Colgate-Palm		36⅞xd	-⅛	42⅞	25⅞	6,666	2.1
Cont'l Bank		1234p	—	1321p	489p	1,247	3.1
Dana		29½xd	+⅞	29⅞	14⅞	1,353	3.4
Data General		701p	+5	1004p	384p	193.4	-
Decora Inds	♥	148p	—	148p	88p	-	-
Dun & Brad		36⅞	-⅛	38⅞	27⅝	6,446	4.0
Eaton		49⅞	+⅛	49⅞	32½	1,878	2.8
Echlin		13⅞xd	-⅛	14⅞	7⅞	789.9	3.2
FPL		22⅞xd	—	23⅞	17⅞	4,116	6.9
Fluor		27⅞xd	-⅛	30⅞	19⅞	2,184	1.1
Ford Motor		25⅞xd	-½	27⅞	15	12,614	2.4
Gen Elect		52⅞xd	-½	55	36⅞	45,210	3.0
General Host	♥	585p	—	611p	360p	-	3.9
Gillette		36⅞xd	-⅛	40	23⅞	7,983	1.2
Hasbro		20⅞	—	23½	12⅞	1,812	0.8
Honeywell		43⅞xd	-⅝	44⅞	32	2,994	2.6
Houston Inds		28⅞	+⅛	29½	22	3,707	6.6
IBM		33⅞	+½	54½	32⅞	19,047	9.1
Ingersoll-Rand		19⅞xd	+⅛	21	12⅞	1,998	2.3
Lockheed		33⅞	+⅛	35⅞	22⅞	2,070	4.0
Lowe's	h	1489p	-46	1536p	815½p	1,986	1.2
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
[illegible]							
Glencar Expl IE	‡‡	6	—	10	6	1.46	-
Greenwich Res	□	5¼	—	11	2	3.86	-
Hemlo Gold C$		93½	—	95½	93¼	378.8	2.6
Hernis West IE	‡‡□	33	+3	53	30	16.6	-
Kalis Mines IE	‡‡□	12	—	42	12	0.29	-
Kenmare	¥□	6¼	-¼	7	2¼	6.00	-
Mallaga Res		10	-2	46	8	2.10	-
Nevan Res IE	‡‡	33	—	34	16	4.42	-
Oryx Gold		46¼	—	103	46¼	-	-
Pleasee		3#	—	13	3	1.37	-
RTZ	□	650	+13	688	462	6,519	4.0
Vizcaya	¥	1½	—	3	1	0.86	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
• Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
Φ Figures or report awaited
¥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
¥ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
# Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT8633. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

FT Cityline

Real time share prices and other stock market information is available through the FT Cityline International telephone service.

Annual subscription £250.00 stg.

Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	147.8	149.3	157.2	-1.10	0.00
AIB Grofund Equity	5	196.5	199.2	210.8	+1.30	1.66
AIB Grofund Euro	5	140.7	142.7	150.2	-0.10	0.59
AIB Exempt Balanced	3	97.87	99.50	102.58	—	0.00
AIB Grofund Gilt	3	74.66	74.68	76.99	+0.10	5.44
AIB Grofund Japan	5	123.7	125.1	131.7	+0.90	0.00

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	84.93	86.10	92.08	+0.70	2.40
Do (Accum)	6	92.72	94.00	100.54	+0.76	2.40
Smaller Cos	6	62.72	62.72	67.08	+0.66	2.61
Do (Accum)	6	67.82	67.82	72.53	+0.71	2.61
Higher Yield	6	33.94	33.94	36.30	-0.13	5.57
Do (Accum)	6	45.89	45.89	49.08	-0.17	5.57
American Gth Inc	6	47.72	47.93	51.26	-0.71	0.16
Do (Accum)	6	48.62	48.84	52.23	-0.73	0.16
European Growth	6	85.74	85.74	91.70	-0.42	2.09
Do (Accum)	6	86.53	86.53	92.55	-0.43	2.09
Global Bond Inc	6	26.53	26.72	28.35	-0.13	5.11
Do (Accum)	6	32.60	32.84	34.84	-0.16	5.11
Managed P'folio Inc	6	29.55	29.61	31.67	-0.06	0.00
(Do Accum)	6	29.63	29.70	31.76	-0.06	0.00
Pacific Growth Accum	6	75.19	75.97	81.25	-0.36	1.48
Intl Spec Opps Accum	6	71.75	72.51	77.55	-0.09	1.83

Confederation Funds Mngt Ltd (1200)F
Lytton Way, Stevenage, Herts SG1 2NN 0438 744840

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Inc	6	45.47	46.30	49.28	+0.48	4.3
Growth Acc	6	46.31	47.16	50.16	+0.49	4.3
High Income	6	26.38	27.00	28.72	+0.25	6.1
Japan	6	24.31	24.31	25.86	+0.23	0.0
Smaller Cos Inc	6	19.46	19.46	20.70	+0.16	4.9
Smaller Cos	6	19.83	19.83	21.09	+0.16	4.9
Canadian Exempt	3	49.32	50.44	52.00	+0.18	1.7
European Exempt	3	57.46	58.94	60.76	+0.04	1.8
Pacific Exempt	3	39.79	40.36	41.60	+0.12	0.6
US Exempt	3	63.02	63.91	65.88	-0.76	1.8
North American	6	28.45	28.45	30.26	-0.29	1.0
European	6	25.11	25.42	27.04	+0.02	1.1

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European & General	5	328.96	329.0	347.9	+0.3	1.88
(Accum Units)	5	410.97	411.0	434.6	+0.3	1.88
European Dividend	5	49.36	49.40	52.80	+0.3	5.69
(Accum Units)	5	55.15	55.20	59.00	+0.4	5.69
Extra Yield	5	301.05	303.5	324.7	+4.8	5.89
(Accum Units)	5	865.1	872.2	933.2	+13.9	5.89
Far Eastern	5	215.78	216.4	231.5	-0.3	1.52
(Accum Units)	5	282.97	283.8	303.6	-0.4	1.52
Fund of Inv Tsts	5	414.9	414.9	438.8	+0.9	2.96
(Accum Units)	5	748.68	748.7	791.8	+1.6	2.96
General	5	45.90	45.90	48.50	+0.6	4.56
(Accum Units)	5	120.96	121.0	127.9	+1.7	4.56
Gilt Income	0	60.02	60.10	60.10	+0.1	8.65
(Accum. Units)	0	145.99	146.0	146.2	+0.2	8.65
Gold	5	29.45	29.50	31.20	+0.4	2.64
(Accum Units)	5	34.23	34.30	36.30	+0.5	2.64
High Income	5	20.04	20.10	21.50	+0.2	6.02
(Accum Units)	5	74.17	74.20	79.30	+0.7	6.02
Intl Growth	5	59.54	59.60	63.40	-0.1	1.09
(Accum Units)	5	102.34	102.4	109.0	-0.2	1.09
International Inc	5	75.26	75.40	80.30	+0.1	5.73
(Accum Units)	5	103.38	103.7	110.4	+0.2	5.73
Japan & Gen	5	34.57	34.70	36.70	+0.2	—
(Accum Units)	5	37.10	37.10	39.30	+0.2	—
Japan Smaller Cos	5	103.07	103.5	109.4	+0.5	—
(Accum Units)	5	103.79	104.3	110.2	+0.6	—
Midland	5	40.22	40.30	42.60	+0.5	5.91
(Accum Units)	5	127.23	127.3	134.6	+1.5	5.91
Pension Ex	2	741.8	755.5	774.4	+7.4	5.13
Recovery	5	28.36	28.70	30.70	+0.3	4.25
(Accum Units)	5	44.57	45.10	48.20	+0.4	4.25
Second General	5	48.68	48.70	51.50	+0.4	4.81
(Accum Units)	5	119.03	119.1	126.0	+1.3	4.81
Smaller Cos	5	44.93	45.40	48.00	+0.8	5.09
(Accum Units)	5	83.66	84.50	89.30	+1.5	5.09
Trustee	5	31.92	32.00	33.80	+0.5	5.05
(Accum Units)	5	119.77	119.8	126.6	+1.8	5.05

NM Unit Trust Mngrs (1200)F
The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5¼	38.99	38.99	41.58	-0.35	0.79
(Accum Units) ♥	5¼	42.49	42.49	45.32	-0.37	0.79
Australian ♥	5¼	215.10	215.10	230.70	+0.20	0.00
(Accum Units) ♥	5¼	243.20	243.20	260.90	+0.20	0.00
Conscience	5¼	55.70	55.70	59.44	-0.54	1.55
(Accum Units)	5¼	59.77	59.77	63.78	-0.58	1.55
European	5¼	149.40	149.40	159.30	-1.20	1.04
(Accum Units)	5¼	159.40	159.40	170.00	-2.30	1.04
Extra Income	5¼	67.22	67.41	71.94	+0.37	6.34
(Accum Units)	5¼	100.2	100.50	107.20	+0.60	6.34
Far East Gth Acc	5¼	119.00	119.00	127.20	-0.70	0.04
Gilt & F.I.	5¼	56.55	56.55	59.86	+0.10	7.70
(Accum Units)	5¼	129.80	129.80	137.30	+0.30	7.70
Gold ♥	5¼	24.97	24.97	26.84	+0.15	0.00
(Accum Units) ♥	5¼	26.90	26.90	28.92	+2.18	0.00
Income	5¼	46.06	46.06	49.13	+0.43	5.80
(Accum Units)	5¼	138.00	138.00	147.20	+1.30	5.80
Intnl	5¼	25.08	25.08	26.90	-0.17	1.00
(Accum Units)	5¼	36.05	36.05	38.68	-0.24	1.00
Jap Smaller Cos	5¼	228.80	228.80	244.00	+1.40	0.00
Sing & Malaysian	5¼	122.50	122.50	131.30	-0.30	0.00
(Accum Units)	5¼	127.40	127.40	136.60	-0.10	0.00
Smaller Co's	5¼	19.92	19.92	21.41	+0.16	2.24
(Accum Units)	5¼	23.04	23.04	24.77	+0.19	2.24
Special Sits	5¼	28.35	28.35	30.48	+0.31	2.00
(Accum Units)	5¼	32.35	32.35	34.78	+0.36	2.00
Sterling Deposit	0	100.4	100.40	100.40	—	6.60
(Accum Units)	0	100.4	100.40	100.40	—	6.60
Tokyo	5¼	59.91	59.91	63.90	+0.52	0.00
(Accum Units)	5¼	60.52	60.52	64.56	+0.53	0.00
UK Equity	5¼	149.20	149.20	159.10	+1.30	3.15
(Accum Units)	5¼	273.90	273.90	292.10	+2.30	3.15
US Smaller Cos ♥	5¼	91.13	93.15	99.62	-0.48	0.00

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ([illegible]) - 0001 to 1100 hours; ([illegible]) - 1101 to 1400 hours; ([illegible]) - 1401 to 1700 hours; ([illegible]) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are avail[illegible]

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Intl Bond & Conv	5	116.90	117.20	123.40	+0.30	5.61
Pooled Pension	7	£139.3	143.8	153.8	--	--
Smaller Cos	5	52.39	54.24	57.09	+0.42	2.56
UK General	5	111.00	112.70	118.60	+0.60	2.91
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	363.07	363.67	384.85	+7.01	5.36
Global Inc	5	51.52	51.52	54.67	+0.09	4.45
Brit Leaders	5	304.21	304.21	322.46	+2.00	3.17
Intl Leaders	5	162.81	162.81	172.58	-0.19	1.90
[illegible]	3½	48.25	49.55	51.48	-0.01	3.30
[illegible]	3½	48.25	49.55	51.48	-0.01	3.30
Slater & Friedlander UT Mngmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	46.28	46.36	49.32	+0.10	1.70
Far Eastern Tst	6	49.96	50.63	53.86	-0.02	0.91
Smaller Cos	5	116.0	120.7	128.48	+5.5	2.71
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Ridley House St, London W1A 3AS. 071-637 5377						
S & W American	5	257.5	258.2	273.1	-1.6	0.97
S & W Capital	5	106.0	106.0	113.5	+0.40	1.99
S & W Cash	0	101.57	101.57	101.57	+0.01	6.63
S & W European	5	102.6	102.8	108.7	-0.2	1.23
S & W Far Eastern	5	103.9	104.9	111.0	+0.7	0.00
S & W Growth	5	113.5	114.9	121.5	+0.6	1.51
S & W Income	5	99.60	101.0	106.8	+0.4	5.60
S & W Magnum	5	111.9	111.9	119.9	+0.30	1.88
S & W Smllr Secs	5	253.7	259.5	274.6	+0.7	0.88
S & W Throgmorton	5	128.8	128.8	138.2	+0.40	1.83
Societe Generale Touche Remnant (1600)F						

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2½	85.43	85.43	87.42	-0.16	0.00
Short Dtd Gilt	1½	106.4	106.4	107.9	+0.30	1.93
U.S. Govmt Bond	1½	[illegible]	0.7000	0.7100	[illegible]	0.00
Gilt Income	4	50.40	50.40	52.44	+0.02	8.86
Gilt Growth	4	62.56	62.56	65.11	-0.01	0.00
City Reserve	0	55.33	55.33	55.34	+0.01	6.92
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 398046						
Stockmarket Fd F	5	61.77	62.04	66.00	+0.42	2.44

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Expt Dec 16	627.6	647.5	....	1.07
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	50.93	52.66	+0.27	4.8
Income Plus	48.44	49.41	+0.07	7.5
James Capel Fund Managers Ltd				
Managed Exempt	[illegible]	[illegible]	+0.664	4.19
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 071-588 1815				

INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Property Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd (z)

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group – Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Life

Eurolife Assurance Group

Finance International Ltd

Hafnia Prolific International

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

PanEuroLife societe anonyme

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd (z)

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Bain Clarkson Asset Management

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

ECU Trustinvest Plc

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

Hargreaves Lansdown Financial Services(Pty) Ltd

IPS Capital Management PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company

Macartney & Bowie Invest Mngt Plc

Matthew Bloye & Partners

Pendleton Way Financial Services Ltd

Rushbrook Financial Management Ltd

Charles Stanley & Co Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Newport Investment Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

GBC Asset Management

GUERNSEY (SIB RECOGNISED)

AIB Govett Inv Managers (Guernsey) Ltd

Barclays Unicorn Fd Mngrs (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Butterfield Fund Mngrs (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mngrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI)

Royal Bank of Canada Offshore Fd Mgrs Ltd

Schroder Investment Management (Guernsey) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Quilter International Management Ltd

Rothschild Asset Mngmt (CI) Ltd

Royal Bank of Scotland

Sarasin Investment Management (Guernsey) Ltd

U.S. Treasury Money Fund

Yamaichi Capital Management (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd

GT Asset Management (Ireland) Ltd

Hafnia Prolific International Management

Morgan Grenfell Investment Funds Ltd

Swiss Life Investment Fund (n)

IRELAND (REGULATED)(**)

Bank of Ireland Unit Managers Ltd

Fidelity International Fd Managers (Ireland) Ltd

Gartmore Fund Managers (Ireland) Ltd

Barings Mutual Fund Mngmt (Ireland) Ltd

Federated International Funds Plc

GT Asset Management (Ireland) Ltd

Irish Life International Fd Mngrs Ltd

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Sarasin Investment (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (IOM) Ltd

Leopold Joseph Fund Managers (IOM) Ltd

GUERNSEY (REGULATED)(**)

AXA Mngmt Co (Guernsey) Ltd

Adams & Neville Fd Mngrs (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Baring Fund Managers (Guernsey) Ltd

Hambros Fund Managers (CI) Ltd

Henderson Touche Remnant Fd Mgrs

Investment Portfolio Svs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

ISLE OF MAN (REGULATED)(**)

ATC Fund Management (IOM) Ltd

AXA Equity & Law Intl Fund Mngrs

City Financial Admin (IOM) Ltd

Gartmore Fund Managers (IOM) Ltd

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FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are avail[illegible]

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

3 pm December 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅞	11	AAR Corp	0.48	4.2	18	1211	11¼	11⅛	11⅛	-⅛
22½	18	[illegible]	0.18	0.8	67	632	22⅛	21⅞	22	-⅛
68⅝	52⅞	AMP Inc	1.52	2.8	20	1961	55	54⅝	55	+⅛
60⅝	54⅛	AMR				128212	62⅛	60⅝	61¼	+⅛
2⅞	1⅞	ARX			12	7	1⅞	1⅞	1⅞	
33½	30½	ASA	2.00	6.0	22	614	33⅛	32⅝	33⅛	+⅛
34⅝	28½	Abbott Lab	0.60	1.9	22	6480	32⅛	31	31⅛	+⅛
13⅞	10⅞	Abitibi Pr	0.50	4.4	5	18	11⅛	11	11⅛	+⅛
11⅞	10⅛	ACM Gvt In x	0.84	8.7		253	11	10⅞	10⅞	-⅛
10⅞	9⅞	ACM GvOpp x	0.73	7.8		49	9½	9⅜	9⅜	
9⅞	8½	ACM Gvt Sp	0.91	10.3		311	8⅞	8⅝	8⅞	+⅛
11⅞	9⅞	ACM Gvt Se	1.07	9.5		876	10⅞	10½	10⅝	+⅛
10⅞	8⅞	ACM Man x	0.98	9.6		355	10	9⅞	10	+⅛
12⅞	8⅝	ACM [illegible] x	0.93	10.6		153	8⅞	8¾	8⅝	
11¼	4⅞	Acme Cleve	0.40	4.8	19	42	8⅞	8¼	8¼	
6½	3¼	Acme Elect			122	66	6⅛	5⅞	6⅛	+⅛
33⅞	14⅞	Acuson			12	1088	16⅞	16⅞	16⅞	
27	18⅞	Adams Expr	1.62	8.2	1	24	19⅞	19⅝	19⅞	
48⅞	29½	Ad Micro	3.00	6.6		127	45⅞	44⅞	45⅝	+1⅛
21½	7½	Ad Micro P	3.00	16.8	5	1524	18	16⅞	17⅞	+1⅛
9⅞	4⅞	Advest Grp	0.16	2.7	12	8	5⅞	5⅞	5⅞	
42⅞	33	Aegon ADR	1.35	3.2	7	46	41⅝	41⅛	41⅝	+⅛
48⅞	38	Aetna Lf	2.76	5.9	13	1412	47	46½	46⅝	-⅛
12⅞	8⅞	Aff A	0.24	2.2	15	665	11⅛	10⅞	11⅛	+⅛
34	24	Aflac	0.44	1.3	15	660	33⅞	33	33⅛	+⅛
19⅞	13	Ahmanson	0.88	5.5	7	2128	16⅛	16	16	+⅛
22½	4	Aileen Inc.			14	305	8⅞	8½	8½	+⅛
48½	35½	Air Pr Chm	0.86	1.8	19	1573	47⅞	46	47⅞	+1⅛
29⅞	12½	Airbne Frt	0.30	1.6	100	297	18⅞	18	18⅞	+½
21½	11⅞	Airgas Inc			29	334	19⅞	17⅞	19⅞	+1
12⅞	8⅞	Airlease	1.60	14.4	8	104	11⅛	11⅛	11⅛	
106	99	AlaPw8.16	8.16	8.0		2	101	101	101½	
105	102⅛	Alab 8.28C	8.28	8.0		5	104	103	103	
11⅞	10½	AlaPwDpPf	0.87	8.2		16	10⅝	d10½	10⅝	+⅛
23⅞	14⅞	Alaska Air	0.20	1.3	4	151	15⅝	15⅜	15⅝	

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WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Dec 16	Dec 15	Dec 14	Dec 11	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3255.18	3284.36	3292.20	3304.08	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	103.06	103.05	103.21	103.14	103.21 (14/12)	98.41 (20/3)	103.21 (14/12/92)	54.99 (1/10/81)
Transport	1397.23	1402.07	1396.83	1411.54	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.70	219.20	218.20	219.33	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3303.00 (3313.27) Low 3238.70 (3260.32) (Theoretical)
Day's High 3295.71 (3295.44) Low 3248.16 (3280.04) (Actual)

STANDARD AND POOR'S	Dec 16	Dec 15	Dec 14	Dec 11	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	431.52	432.57	432.84	433.73	436.99 (8/12)	394.50 (8/4)	436.99 (8/12/92)	4.40 (1/6/32)
Industrials	504.35	505.75	506.71	508.18	512.85 (8/12)	470.91 (8/4)	512.85 (8/12/92)	3.62 (21/6/32)
Financial	39.45	39.69	39.45	39.41	39.88 (8/12)	32.40 (8/4)	39.88 (8/12/92)	8.64 (1/10/74)
NYSE Composite	237.26	238.02	238.16	238.63	240.24 (8/12)	217.92 (8/4)	240.24 (8/12/92)	4.46 (25/4/42)
Amer Mkt. Value	389.30	390.66	392.56	393.38	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	649.63	650.75	654.73	655.79	667.12 (8/12)	547.84 (26/6)	667.12 (8/12/92)	54.87 (31/10/72)

	Dec 11	Dec 4	Nov 27	year ago (approx.)
Dow Industrial Div. Yield	3.12	3.13	3.14	3.14

	Dec 9	Dec 2	Nov 25	year ago (approx.)
S & P Industrial div. yield	2.58	2.61	2.62	
S & P Indl. P/E ratio	27.10	26.71	26.63	

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Tucson	6,603,900	2	+ ⅛
IBM	3,414,300	52	- 4⅛
Global Mar	4,137,300	2⅞	+ ⅛
RJR Nabisco	3,835,600	8⅛	——
Philip Morris	3,703,700	76½	- ⅝
Amer Express	2,614,800	24⅞	+ ½
Gen Motors	2,228,900	32⅞	+ ⅛
Boeing	1,934,100	34⅝	.....
Safety-Kleen	1,745,900	24⅞	- 6⅛
Ford Motor	1,696,800	40⅝	- ⅛

TRADING ACTIVITY

† Volume	Dec 16
New York SE	241,910
Amex	15,457
NASDAQ	258,269
NYSE	
Issues Traded	2,411
Rises	744
Falls	1,042
Unchanged	625
New Highs	47
New Lows	29

...ept NYSE All Common—50; Standard and Poor's—10; and ...0. Toronto indices based 1975 and Montreal Portfolio 4/1/ ...ies Utilities, Financial and Transportation. (c) Closed. (u) ...oretical day's highs and lows are the averages of the highest ...day by each stock; whereas the actual day's highs and lows ...highest and lowest values that the index has reached during the ...ious day's).

**Saturday December 12: Taiwan Weighted Price: 3,742.61, Korea Comp...
♥ Subject to official recalculation.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen. ... Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and ... (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday, December 17, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba Corp	4.5m	636	+11	Hitachi	2.5m	745	+2
Sumitomo Forest	4.1m	1,880	+10	NPN Steel	2.4m	294	
Canon Inc	3.6m	1,380	+20	Tokio M&F	2.4m	1,210	+30
Mitsui Mining	3.5m	495	-10	Shizuoka Bank	2.3m	1,320	+10
Mitsui Cons	2.6m	435	-3	Toyota Motor	2.1m	1,460	+20

3 pm December 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11	AAR Corp	0.48	4.2	18	1271	11⅝	11⅜	11⅜	-½
22½	18	ACM Gov Fd x	0.18	0.8	67	632	22⅛	21⅞	22	-⅛
69¾	52⅞	AMP Inc	1.52	2.8	20	1961	55	54⅝	55	+⅛
60⅞	54⅛	AMR			128	212	62⅛	60⅝	61¼	+⅝
2⅞	1⅝	ARX			12	7	1⅞	1⅞	1⅞	
53½	30½	ASA	2.00	6.0	22	614	33¼	32⅞	33¼	+⅜
34⅞	28⅞	Abbott Lab	0.60	1.9	22	6480	32⅛	31	31⅛	+⅜
13⅞	10⅞	Abitibi Pr	0.50	4.4	5	18	11⅛	11	11⅛	+⅛
11⅞	10⅛	ACM Gvt In x	0.94	8.7		253	11	10⅞	10⅞	-⅛
10⅞	9⅜	ACM GvOpp x	0.73	7.6		49	9½	9⅜	9⅜	
9⅝	8½	ACM Gvt Sp	0.91	10.3		311	8⅞	8⅝	8⅞	+⅛
11⅞	9⅞	ACM Gvt Se	1.07	9.5		876	10⅞	10½	10⅝	+⅛
10⅝	8⅝	ACM Mun x	0.98	9.6		395	10	9⅞	10	+⅛
12⅞	8⅝	ACM Mangd x	0.93	10.6		153	8⅞	8¾	8¾	
11⅛	4⅞	Acme Cleve	0.40	4.8	19	42	8⅜	8⅛	8⅛	
6½	3⅛	Acme Elect			122	66	6⅛	5⅞	6⅛	+⅛
33⅛	14⅞	Acuson			12	1088	16⅞	16⅛	16⅛	
27	18⅛	Adams Expr	1.62	8.2	1	24	19⅞	19⅝	19⅞	
48⅞	29½	Ad Micro	3.00	6.6		127	45⅞	44⅝	45⅝	+1⅛
21½	7½	Ad Micro P	3.00	16.8	5	1554	18	16⅞	17⅞	+1⅛
9⅝	4⅞	Advest Grp	0.16	2.7	12	8	5⅞	5⅞	5⅞	
42⅞	33	Aegon ADR	1.35	3.2	7	48	41⅝	41⅜	41⅝	+⅜
48⅛	38	Aetna Lf	2.76	5.9	13	1412	47	46½	46⅝	-⅛
12⅞	8⅝	Affil A	0.24	2.2	15	686	11⅛	10⅞	11⅛	+⅛
34	24	Aflac	0.44	1.3	15	880	33⅛	33	33⅛	+⅛
19⅞	13	Ahmanson	0.88	5.5	72	128	16⅛	16	16	+⅛
22½	4	Aileen Inc.			14	305	8½	8½	8½	+⅛
48½	36½	Air Pr Chm	0.86	1.8	19	1573	47⅞	46	47⅛	+1⅝
29⅞	12½	Airborne Frt	0.30	1.6	102	297	18⅝	18	18⅞	+½
21½	11⅛	Airgas Inc			39	334	19⅛	17⅝	19⅛	+1
12⅞	8⅛	Airlease	1.60	14.4	8	104	11⅛	11⅛	11⅛	
104	99	AlaPw8.16	8.16	8.0		2	101	101	101½	
105	102⅛	Alab 8.28C	8.28	8.0		5	104	103	103	
11⅞	10½	AlaPwDpPf	0.87	8.2		16	10⅝	d10½	10⅝	+⅛
23⅞	14⅛	Alaska Air	0.20	1.3	4	181	15⅝	15⅜	15⅝	
21⅛	11⅛	Albany Int x	0.35	2.3	62	59	15	14⅞	15	
32	21⅛	AlCulvr B	0.24	0.9	18	52	25½	25⅛	25½	+⅛
29⅞	19⅝	AlCulvr A	0.24	1.0	21	55	23⅞	23⅜	23⅞	+⅛

NYSE COMPOSITE PRICES

Continued from previous page

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm December 17

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G	0.10	31	1267	15¼	14⅝	14⅞	+⅛
Perini	0.80	15	139	16	15½	16	
Pitt NMP x	1.14	10	4	15½	15½	15⅝	+⅛
Pitt LD x	0.25	14	1578	34⅛	33¾	33⅞	−⅜
Pittwy A x	1.10	18	38	33⅞	33⅝	33¾	+¼
Ply Gem	0.12	24	167	12⅛	11⅝	12	+⅜
PMC	0.72	16	47	12⅝	12½	12⅝	
PresidioA	0.10	0	285	[illegible]	⅝	⅝	[illegible]
Price Com		0	10	[illegible]	[illegible]	[illegible]	
RSW Cp		2	51	3	2⅞	3	
RiedelEnv		10	44	6⅜	6	6⅜	+⅜
SJW Corp	2.13	6	6	36½	35¼	35¼	−¼
SinnUnion		46	12	14⅞	14⅞	14⅞	
Stari El	0.04	16	256	6½	6⅛	6⅜	+⅜
TII Ind		18	62	2[illegible]	2[illegible]	2[illegible]	
Tab Prods	0.40	39	z100	12⅛	12⅛	12⅛	
TelData x	0.32	53	190	39¾	39½	39¾	
Thermedics		129	56	12	11½	11⅝	−¼
Thermoinst		31	93	u34¾	34¼	34¼	−½
Total Pet	0.40	15	1147	6¼	6⅛	6¼	
TownCntry		0	214	2[illegible]	2	2⅛	[illegible]
Tubos Mex		7	728	6⅝	6⅜	5⅞	+⅛
UtdFoodsA		4	17	1[illegible]	1[illegible]	1[illegible]	
UtdFoodsB	0.20	4	2	1[illegible]	1[illegible]	1¾	
UnivPints		41	304	10½	9⅝	9⅝	−1⅛
US Cellul		90	7	21	20⅞	20⅞	
WangLab C		0	27	1⅝	1⅜	1⅝	+¼
WangLab B		0	646	[illegible]	¾	¾	[illegible]
Westbrld		115	317	6⅞	6⅜	6¼	+⅛
Westamer	0.52	10	10	23¼	23¼	23¼	+¼
WIRET	1.12	18	230	12⅝	12½	12⅝	+⅛
Worthen	0.15	10	65	26	25⅝	26	
Xytronix		6	120	7	6½	6⅜	−⅜

NASDAQ NATIONAL MARKET

3 pm December 17

AMERICA

Dow recovers slightly after stock clearance

Wall Street

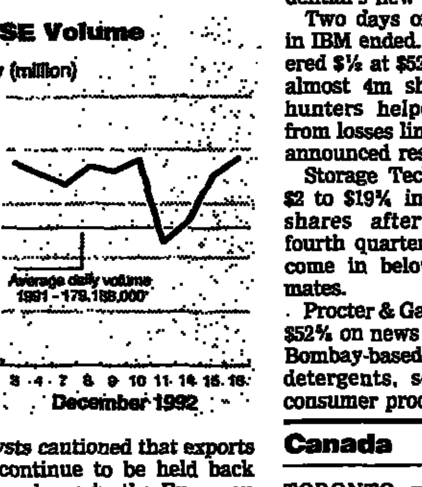
IN spite of more bad corporate news, US share prices posted modest gains across the board yesterday after a big sell-off the previous day, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 4.87 at 3,260.05, having spent most of the morning session a few points above Wednesday's close. Secondary indices were even firmer, with the more broadly based Standard & Poor's 500 up 2.57 at 434.09, the Amex composite 0.88 higher at 390.18, and the Nasdaq composite up 5.73 at 655.36. Turnover on the NYSE was 150m shares by 1 pm, and rises outnumbered declines by 945 to 662.

The near 30-point decline in the Dow on Wednesday was seen by analysts as a welcome, and possibly final, clear-out of stocks before the end of the year. Consequently, prices were expected to begin climbing back up again yesterday, which they did in spite of unfavourable economic and corporate news.

The economic news was mixed: the labor department reported a 22,000 rise in weekly jobless claims, reversing the recent improving trend in the labour market, and the commerce department a narrowing in the October trade deficit from $8.6bn the previous month to $7.0bn.

The most promising aspect of the trade figures was a sharp rise in exports, although



analysts cautioned that exports will continue to be held back by the slump in the European and Japanese economies.

On the corporate front, the opening of trading in Minnesota Manufacturing and Mining, known as 3M, was delayed after the broking house, Prudential Securities, lowered its 1992 earnings estimate for 3M from $5.70 a share to $5.60 because of the slowdown in the company's overseas markets. When trading started, 3M's shares dropped more than $3½ to $99, but later recovered to stand $2¾ lower at $99¼ in active trading after the company said that it backed Prudential's new forecast.

Two days of heaving selling in IBM ended. The stock recovered $½ at $52⅞ in turnover of almost 4m shares as bargain hunters helped IBM recover from losses linked to Tuesday's announced restructuring.

Storage Technology plunged $2 to $19¾ in turnover of 1m shares after warning that fourth quarter earnings would come in below analysts' estimates.

Procter & Gamble rose $1¼ to $52⅞ on news of its pact with a Bombay-based company to sell detergents, soaps and other consumer products in India.

Canada

TORONTO was positive at midsession following a further round of interest cuts by a number of domestic banks and renewed hopes of economic recovery. The TSE-300 index rose 14.3 to 3,310.5 in volume of 24.2m shares valued at C$228.7m.

Recent fizz evaporates from Milan bourse

The interest in privatisation candidates has largely petered out, writes **Haig Simonian**

After regaining some speculative fizz in October on privatisation euphoria, Milan's battered bourse looks set to end the year well below the opening levels of 1992.

The burst of interest in possible privatisation candidates, which helped to drive the Comit (BCI) index up to almost 480 in October, has now largely petered out. Though occasional tit-bits of news or gossip are enough to set individual stocks such as Credito Italiano or the Nuovo Pignone engineering group in motion, such movements have not been enough to enliven the overall market, now 17 per cent down from its opening levels of last January.

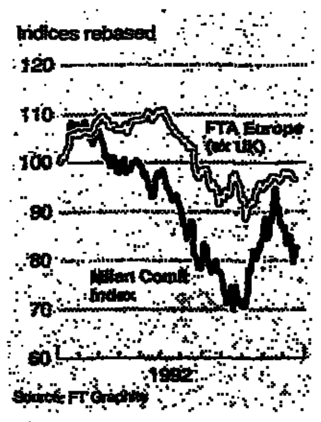
Brokers take heart that the index has at least recovered from the depths of late summer, when it sank to 354.93, and that daily turnover has recovered from the lows of around L50bn to three or four times as much.

However, a new shadow has loomed following this week's regional election results, involving around 1m voters, and the news that Mr Bettino Craxi, leader of the Socialist party and a former prime minister, is under investigation by magistrates involved in the country's spiralling political corruption scandal.

Neither development was entirely unexpected. At the polls, the autonomist Lombard League was the big winner, consolidating its position in the north and stretching its tentacles into central Italy. La Rete, the clean government party headed by a former mayor of Palermo, was the other big victor, capturing a limited, but surprisingly high, share of the votes.

The investigation into Mr Craxi, whose Milan powerbase is the focus of magistrates' attention, further weakens the Socialist party. Mr Gianni De Michelis, its deputy chairman, is already under the magisterial microscope for alleged misdemeanours in the Veneto region.

Some analysts suggest the poll results and growing troubles for the Socialists could perversely help, rather than hinder, the bourse by playing into the hands of Prime Minister Giuliano Amato's reform-minded government. Although himself a senior Socialist, Mr Amato could benefit from the



growing disarray to push through further unappealing, but essential, legislation covering spending cuts and privatisation.

The argument has its merits. Not even the victors from this week's polls are threatening to topple the government, in expectation of new electoral laws. That gives Mr Amato more time to push ahead with essential changes to cut the budget deficit and loosen the state's grip on the economy. Speaking to MPs yesterday, Mr Piero Barucci, the treasury minister, said he hoped for parliamentary approval for his privatisation plan before the end of this year.

The upbeat political message has not yet penetrated the financial markets, however. Instead, uncertainties about the government's stability have fed through to the exchange rate, weakening the lira against the D-Mark.

In the absence of any good news on the corporate front, share prices look vulnerable. Yesterday's 13.97 rise in the Comit to 420.35 was not fully sustained in London after-hours' trading, and the outlook for corporate earnings remains gloomy. While the lira devaluation, now running at almost 18 per cent against the D-Mark, should help Italian exporters, recession at home and in major export markets such as Germany will depress sales and margins.

Recent weeks have seen a dearth of upbeat corporate news. Announcements of more job losses at IBM have refocused attention on the problems at Olivetti. Its unions fear that the company, which they claim is now losing L2bn a day, plans a further 6,000 redundancies in 1993.

An 11 per cent fall in the Italian car market in November – the first double-digit drop for some years – has also put an unwelcome spotlight on Fiat. Although the group has managed to arrest the decline in its share of the domestic market to around 44 per cent, a shrinking overall cake means production is set to fall further.

Meanwhile, worries continue to surround Ferruzzi, Italy's other private-sector industrial giant, which controls the Montedison chemicals and agro-industrial group. Analysts find it hard to imagine how the group can talk about possible acquisitions of state assets, such as the Sme foods and retailing concern, when it is swimming in a sea of debt.

Some special situations, such as Fiat's Rinascente and Cogefar-Impresit subsidiaries, remain. Both are potential sale candidates as Fiat's bosses turn their attention to possible one-off gains to boost profits.

Failing such spectacular events, the market looks set to mark time in the weeks ahead, waiting for clearer information on privatisations to emerge, perhaps by the second quarter of next year.

ASIA PACIFIC

Nikkei gains ground as Hong Kong falls back

Tokyo

INDEX-linked buying, short covering, and demand from foreign investors allowed the Nikkei average to gain moderate ground in spite of late afternoon profit-taking, *writes Emiko Terazono in Tokyo.*

The 225-issue average was up 169.20 at 17,437.91 after a day's high of 17,544.13 and low of 17,209.53, rising above the 200-day moving average of 17,468 in the afternoon, before slipping on light selling.

Volume decreased from 255m shares to 220m. Trading was led by technical activity, with little participation from institutions ahead of the year-end. Rises outpaced falls by 588 to 373, with 170 issues unchanged, and the Topix index of all first section stocks gained 8.52 at 1,325.85. In London the ISE/Nikkei 50 index firmed 3.45 to 1,078.88.

Reports that the Ministry of Finance intended to introduce a new weighted index for the futures market supported equities. The Nikkei 225 index, blamed for volatility on the Tokyo cash market, is a simple average of 225 stocks, and is said to be easily manipulated.

A positive reception for the new second-section listing of Ten Allied, a pub chain operator, encouraged market participants. The company, which had been traded on the over-the-counter market, closed at Y2,330, up from its public offer price of Y2,277.

Yokohama Matsuzakaya, the department store, led rising issues for the third day, surging Y56 to Y695 on increased speculative trading, after rumours of share cornering had circulated the market earlier this week.

Foreign investors bought high-technology issues, with Toshiba, the most active stock of the day, appreciating Y11 to Y636 and NEC Y20 to Y685.

Reports that bacterial infection within a hospital had claimed the lives of 80 people revived interest in "clinical infection"-related shares. Terumo, a syringe maker, jumped Y33 to Y873 and Sanden, a hand disinfecting machine maker, rose Y14 to Y582.

Some financial issues rose on the asset revaluation theme, with the authorities rumoured to be considering the introduction of accounting reforms in which asset values would be re-evaluated at market prices on corporate balance sheets. Tokio Marine & Fire put on Y30 to Y1,210 and Sumitomo Bank Y20 to Y1,880.

Mitsui Mining & Smelting, which had previously gained popularity on rumours of a new gold vein discovery, moved out of favour, retreating Y10 to Y485 on profit-taking.

In Osaka, the OSE average improved 90.39 to 18,930.01. Volume remained high, at 142.9m shares (against 117.9m), on cross-trading by financial institutions.

Roundup

THE CHINA factor adversely affected sentiment in Hong Kong, while the region's other markets were mixed.

HONG KONG fell after China's foreign minister ruled out any concessions in its dispute with Britain over the future of the colony. The Hang Seng index receded 86.50 to 5,329.46 in turnover of HK$2.57bn.

Banking shares were active, while properties saw profit-taking following strong gains on Wednesday. HSBC Holdings was the most active stock, retreating HK$1.50 to HK$54.

AUSTRALIA overcame early weakness, helped by the stronger local dollar, and the All Ordinaries index closed 2.4 up at 1,499.4 in turnover of A$206.3m. Westpac rose a cent to A$3.04 after news that the managing director was to resign.

News Corp, which has lost ground this week on profit-taking, rallied 22 cents to A$29.22. BHP added 6 cents at A$12.56 ahead of today's interim figures.

SEOUL saw intervention by the market stabilisation fund lift shares in late trading. The weighted index improved 6.51 to 660.60 in turnover of Won703bn. TAIWAN's weighted index lost 6.25 to 3,668.67 in T$8.8bn turnover. Late buying in blue chips pulled cement shares up, and textiles posted minor gains.

MANILA was helped higher again by a strong US performance by PLDT, which put on 5 pesos to 845 pesos. The composite index firmed 3.81 to 1,226.73 in combined turnover of 261m pesos. SINGAPORE remained positive, with good gains seen in leading stocks. The Straits Times Industrial index rose 11.69 to 1,468.31 in volume of 69m shares.

NEW ZEALAND featured forestry issues as the NZSE-40 index fell 11.67 to 1,509.52.

BANGKOK saw property companies advance strongly as the SET index gained 9.52 at 849.92 in turnover of Bt2.98bn.

SOUTH AFRICA

JOHANNESBURG revived in late trading, helped by a better performance from gold stocks. The gold index put on 5 to 837, while the overall index shed 12 to 3,223. Industrials remained weak, finishing 14 off at 4,297.

EUROPE

Corporate news affects individual ratings

BOURSES were mixed, with individual company stories making their impact here and there, *writes Our Markets Staff.*

PARIS took some comfort from comments by Prime Minister Pierre Bérégovoy that the franc would not be devalued, although this did little to ease pressure on the currency in foreign exchange markets. The CAC-40 index closed 1.46 lower at 1,735.23, having languished at a day's low of 1,707.05, in turnover of some FFr2bn.

Rumous that BNP might become a privatisation candidate should there be a change of government next year excited interest with the CI's advancing FFr15.10 to FFr419.00. Other financials were generally firmer with Paribas up FFr6.60 to FFr339.60 and Suez FFr1.90 firmer at FFr233.40 while Société Générale slipped FFr2 to FFr576.

FRANKFURT ended with an absence of Christmas cheer. Although the DAX index ended 4.10 higher at 1,476.17, retailers were dejected with Asko DM40 down at DM610 and Kaufhof DM5.50 lower at DM391.50 as stock market turnover fell from DM3.5bn to DM3.0bn.

German retailers, who enjoyed a two-year boom after the opening of the Berlin Wall in 1989, have been caught in a sharp downturn as rising unemployment and uncertainties over future tax increases depress consumer sentiment. Forecasts yesterday included falls in earnings per share of up to 10 per cent this year.

AMSTERDAM came to life again after a dull few days with Nutricia prominent after forecasting lower than expected second half profits and reorganisation plans after the close on Wednesday. Its shares ended the day down Fl 14.10 or 11.7 per cent at Fl 110.40. The CBS Tendency index eased 0.1 to 103.0.

Institutions seemed unimpressed by news that Daf had secured loans of some Fl 190m from the Belgian and Dutch governments, and some analysts commented that the truck manufacturer still faced serious long-term problems. The shares, however, improved 40 cents to Fl 6.50.

Nedlloyd slipped 40 cents to Fl 30.20 after rumours, later denied, that Mr Torstein Hagen, who holds some 25 per cent of the group's equity, might be planning to force the sale of the shipping division.

BRUSSELS closed fractionally lower, failing to benefit from a technical recovery in Petrofina and a surge in the steelmaker, Cockerill.

The Bel-20 index closed 0.36 lower at 1,105.99 in turnover of BFr850m. Cockerill closed BFr10, or 11.8 per cent higher at BFr95 after an early low of BFr79, and a high of BFr100 after it confirmed plans to pay an unchanged 1992 net preferred dividend of BFr9. The oil major Petrofina, hard-hit in recent days after announcing a severe cut in its 1992 dividend, closed up BFr100 at BFr7,540.

ZURICH recovered late on a firmer tone on Wall Street, the SMI index closing 4.8 higher at 2,026.7.

VIENNA fell sharply after steep falls in OMV and other blue chip stocks. The ATX index closed 17.82 lower at 720.95 with OMV dropping Sch41 or 6.6 per cent to Sch577 on heavy selling by foreign institutions. Some analysts said that while the oil group had been weak over the last few days there was no significant factor which sparked the fall.

Elsewhere, Strabag fell Sch30 to Sch920, Wienerberger lost Sch35 to Sch2,805, while Creditanstalt preferred lost a further Sch8 to Sch413 following Wednesday's news that it planned to cut its dividend.

STOCKHOLM recovered some ground as buyers returned to Astra, which has been under pressure following a disappointing analysts' meeting earlier in the week. The Affärsvärlden Index advanced 6.5 to 873.3 in turnover of SKr713m.

Astra free shares rose SKr6 to SKr717 while SKF free shares lost SKr4.50 to SKr67 on news that it expects a SKr1.8bn loss in 1992 after taking a restructuring charge of SKr1.1bn.

HELSINKI fell on higher domestic interest rates and on continued profit-taking after the sharp recovery this autumn, the Hex index ending 16.4, or 1.9 per cent lower at 830.6.

FT-SE Actuaries Share Indices

December 17 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1035.11	1034.19	1033.73	1034.27	1032.81	1033.89	1033.99	1034.41
FT-SE Eurotrack 200	1116.38	1115.05	1116.26	1118.81	1118.20	1119.62	1119.20	1119.02

	Dec 16	Dec 15	Dec 14	Dec 11	Dec 10
FT-SE Eurotrack 100	1036.62	1038.14	1041.18	1044.03	1049.63
FT-SE Eurotrack 200	1117.57	1115.23	1116.33	1117.72	1123.58

Base value 1000 (26/10/90) High/day: 100 - 1035.12; 200 - 1120.80 Low/day: 100 - 1032.56 200 - 1114.63

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY DECEMBER 16 1992								TUESDAY DECEMBER 15 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	121.04	−0.6	113.79	94.03	97.85	116.77	−0.8	4.16	121.79	115.16	95.50	99.22	117.68	153.68	108.18	146.93
Austria (19)	139.41	−0.3	131.06	108.30	112.70	112.90	−1.0	2.51	139.85	132.24	109.67	113.94	114.04	186.70	137.63	164.62
Belgium (42)	135.72	+1.3	127.60	105.43	109.72	107.27	+0.4	5.74	133.99	126.69	105.06	109.16	106.90	152.27	133.99	136.43
Canada (113)	113.74	+0.6	106.93	88.35	91.94	105.30	+0.8	3.22	113.01	106.86	88.61	92.05	104.50	142.12	111.36	130.62
Denmark (34)	201.97	+1.4	189.88	156.91	163.28	164.54	+0.7	1.66	199.10	188.26	156.13	162.21	163.43	273.94	181.70	259.80
Finland (15)	73.90	−0.1	69.47	57.41	59.74	78.86	+0.2	1.79	73.97	69.94	58.01	60.26	78.71	89.80	52.84	74.42
France (99)	144.42	+0.3	135.77	112.18	116.74	120.40	−0.5	3.74	144.05	136.20	112.95	117.34	121.06	168.75	136.93	140.29
Germany (64)	103.77	+0.2	97.55	80.62	83.89	83.89	−0.5	2.71	103.51	97.87	81.18	84.33	84.33	129.69	102.51	112.72
Hong Kong (53)	217.53	+2.3	204.51	168.99	175.87	216.15	+2.3	4.17	212.72	201.14	166.80	173.31	211.37	262.28	176.38	172.00
Ireland (16)	141.51	+3.5	133.03	109.93	114.40	117.49	+2.6	4.66	136.78	129.33	107.25	111.43	114.52	173.71	122.98	163.07
Italy (77)	51.94	+1.1	48.83	40.35	41.99	54.18	+0.8	3.83	51.37	48.57	40.28	41.85	53.75	80.86	47.47	72.15
Japan (472)	107.39	+0.2	100.96	83.43	86.83	83.43	−0.7	1.01	107.13	101.30	84.01	87.29	84.01	140.95	87.27	130.60
Malaysia (69)	263.46	+1.3	247.69	204.66	212.98	261.17	+1.0	2.54	259.98	245.62	203.85	211.80	258.68	282.42	212.49	206.87
Mexico (18)	1599.49	−0.7	1503.73	1242.60	1293.09	5475.49	−0.5	1.10	1611.28	1523.51	1263.47	1312.68	5502.63	1789.77	1185.84	1300.03
Netherland (25)	155.37	+0.4	146.07	120.70	125.61	123.92	−0.4	4.59	154.74	146.31	121.34	126.07	124.48	169.70	147.88	147.27
New Zealand (13)	42.22	+0.9	39.69	32.80	34.13	43.21	+0.2	5.16	41.82	39.55	32.80	34.07	43.12	48.52	37.39	44.23
Norway (22)	143.10	+0.0	134.53	111.17	115.69	129.26	−1.3	1.87	143.07	135.27	112.18	116.55	130.93	192.95	128.05	173.30
Singapore (38)	202.30	+0.3	190.19	157.17	163.55	152.75	+0.3	2.16	201.62	190.64	158.10	164.25	152.33	229.63	179.65	208.70
South Africa (60)	147.18	+0.0	138.37	114.34	118.99	156.56	+0.0	3.27	147.18	139.17	115.41	119.90	156.56	263.60	134.21	244.39
Spain (46)	121.45	+0.6	114.18	94.35	98.18	101.71	−0.4	5.92	120.73	114.15	94.67	98.35	102.11	161.72	107.10	144.94
Sweden (31)	162.37	−2.4	152.65	126.15	131.27	163.70	−1.4	2.40	166.34	157.28	130.44	135.52	166.03	200.28	149.69	169.41
Switzerland (60)	114.58	+1.7	107.72	89.02	92.64	99.23	+0.8	2.16	112.64	106.50	88.33	91.78	98.43	122.37	95.99	95.45
United Kingdom (227)	172.05	+1.1	161.75	133.65	139.08	161.75	+0.5	4.57	170.13	160.87	133.40	138.59	160.87	200.07	161.86	175.48
USA (522)	176.19	−0.3	165.64	136.88	142.45	176.19	−0.3	2.90	176.64	167.02	138.52	143.91	176.64	178.34	160.92	156.16
Europe (779)	135.98	+0.8	127.84	105.64	109.94	119.78	+0.1	3.94	134.93	127.58	105.80	109.93	119.63	156.88	131.31	140.10
Nordic (102)	150.72	−1.0	141.70	117.09	121.85	135.82	−0.7	2.12	152.28	143.99	119.41	124.06	136.85	188.52	141.24	175.90
Pacific Basin (713)	111.53	+0.3	104.86	86.65	90.17	88.58	−0.5	1.36	111.18	105.12	87.18	90.58	89.03	141.97	93.70	131.98
Euro – Pacific (1492)	121.42	+0.5	114.16	94.32	98.16	101.15	−0.2	2.53	120.78	114.21	94.71	98.40	101.39	145.21	113.80	135.54
North America (635)	172.32	−0.2	162.00	133.89	139.33	171.38	−0.2	2.91	172.70	163.29	135.44	140.72	171.75	174.38	156.70	154.53
Europe Ex. UK (552)	114.50	+0.5	107.65	88.97	92.59	97.08	−0.2	3.48	113.89	107.69	89.33	92.81	97.25	132.98	111.33	118.89
Pacific Ex. Japan (241)	152.23	+0.9	143.12	118.28	123.08	140.47	+0.8	3.79	150.88	142.66	118.33	122.93	139.42	175.31	146.06	145.52
World Ex. US (1683)	122.39	+0.5	115.03	95.06	98.92	103.21	−0.2	2.55	121.73	115.10	95.46	99.18	103.40	146.91	115.99	137.25
World Ex. UK (1978)	136.47	+0.1	128.30	106.03	110.34	122.06	−0.3	2.47	136.37	128.94	106.94	111.11	122.43	150.58	127.21	139.47
World Ex. So. Af. (2145)	139.62	+0.2	131.27	108.48	112.89	125.26	−0.2	2.69	139.36	131.77	109.29	113.55	125.54	153.05	130.04	141.94
World Ex. Japan (1733)	157.88	+0.2	148.43	122.66	127.66	150.07	0.1	3.29	157.62	149.03	123.61	128.43	150.14	165.40	151.93	150.31
The World Index (2205)	139.56	+0.2	131.21	108.43	112.84	125.58	−0.2	2.70	139.30	131.72	109.24	113.50	125.85	153.70	130.66	142.81

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Latest prices were unavailable for this edition. South African market closed December 16.